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NEWS SUMMARY

GENERAL

Smith heads new team

A transitional multi-racial Government designed to bring black majority rule in Rhodesia by the end of the year was sworn in yesterday by the Rev. Patrick Murindagomo, the black suffragan Anglican Bishop of Mashonaland.

Leadership of the Government will rotate every four weeks. Mr. Ian Smith was chosen as first chairman after he had drawn lots with three black nationalist leaders.

He is to be followed by Chief Chirau, the Rev. N. Sithole and Bishop Muzorewa in that order.

In Dar-es-Salaam, Mr. Andrew Young, the U.S. ambassador to the UN, said he hoped the next 30 days would see the creation of a plan of action on internationally acceptable political settlements in Rhodesia and Namibia (South West Africa).

In New York, the ABC television network, reported that a large build-up of Soviet weapons was under way in Mozambique.

Back and Page 3

Storms postpone tanker drainage

Hampered by storms and the imminent threat of spring high tides French and British naval vessels fought to limit the ecological disaster caused by oil pollution from the wrecked supertanker Amoco Cadiz, as French Maritime HQ reported that no start could be made on emptying the ship before the end of the week. Back and Page 2. From Cape Town it was reported that oil had spilled on to South African beaches from the 35,545-ton Pantillis A. Lemos which is aground nearby.

Ulster setback

Talks due to take place to-morrow betwen Mr. Roy Mason, Northern Ireland Secretary, and Irish Cabinet Ministers, have been postponed because of the death yesterday, at the age of 67, of Mr. Cearbhall O'Dalaigh, former President of the Irish Republic. Back Page

Jail blaze probe

Prisoners are to be interviewed in an attempt to find out the cause of the blaze which swept through Chelmsford jail, Essex, on Monday night and led to the transfer of 219 inmates to other jails.

Michelin Guide

The Michelin Red Guide to Great Britain and Ireland has extended its coverage to moderately priced restaurants and hotels. Out of 450 entries in the 1978 edition more than 400 hotels and restaurants are in this category.

on of Chiang

iang Ching-uo, son of Chiang i-shek, was elected president Taiwan, the State founded by s father almost 30 years ago.

easonal cheer

ow and ice returned to the rth of England and parts of tland yesterday—the first day Spring. Recent bad weather given a boost to Easter holi-s in the sun, tour operators orted.

iefly . . .

girl, aged two, has been iso-d in a Yorkshire hospital ering from typhoid after re-ning from Belize, Central erica.

Archway Road, London, im-vement scheme public inquiry been abandoned, the Com-s were told.

r skiers were feared dead r being swept away by an anche near the Great St. ard Pass in Switzerland.

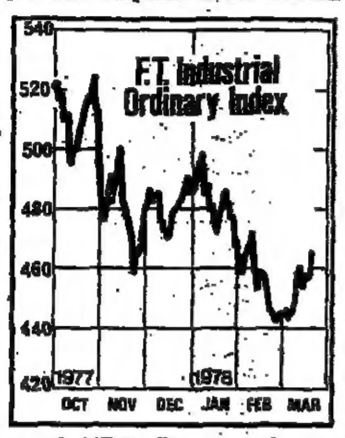
olish yachtswoman has be-e the first woman to sail le-handed round the world, as reported in Warsaw.

alia has been offered £1m. of the Commons were told.

BUSINESS

Equities up 7.7; Gold falls further

● EQUITIES took a distinct turn for the better on optimism about the Budget and on sympathetic response to the Government's White Paper on the use of North Sea oil revenues. The FT ordinary index closed 7.7 up at 466.3.



● GILTS business remained thin, but longs made small gains. The Government Securities index closed 0.02 down at 75.35.

● STERLING yielded 70 points to $1.8970, its trade-weighted index unchanged at 63.9. The dollar gained ground, and its depreciation narrowed to 5.42 per cent. (5.53).

● GOLD fell a further $2¼ to $177⅞ after Monday's fall of $4.

● WALL STREET was 5.37 down at 768.45 just before the close.

● LONDON'S new market in traded share options will open on Friday April 21, the Stock Exchange has confirmed.

● SENIOR CIVIL servants are being offered tax-free lump sum payments of up to twice their annual salary plus a full pension if they will retire early and so avoid the retirement bulge facing the Civil Service in the next few years. Page 6

● COST OF its membership of the Common Market could be greatly reduced if Britain could win control over the cost of operating the Common Agricultural Policy, Mr. John Silkin, Minister of Agriculture has told the Commons. Back Page

Warning on Welsh steel

● POSTPONEMENT of the £835m. investment plans for the Port Talbot steelworks in South Wales could have far-reaching consequences for the economy of Wales, Welsh Council chairman has warned. Back Page and Feature, Page 22

● GUERNSEY'S banking industry pre-tax profits rose from £3.75m. in 1973 to an estimated £11m. last year. Page 7

● IRELAND'S 1978 National Wage Agreement, which proposes an average 8 per cent. increase, is likely to be rejected by the Irish TUC meeting tomorrow. Page 2

COMPANIES

● IMPERIAL GROUP chairman has forecast an "appreciable decline" in first half profits, as trading results for the first three months were lower than in the comparable period of 1977. Page 24

● LONDON SUMATRA, to back up its rejection of the McLeod Sipef bid, has revealed an unprecedented amount of information, including a £30.9m. independent valuation of its Indonesian estates. Page 26

● SEARS ROEBUCK, the largest U.S. stores chain, reports lower fourth quarter earnings of $251.8m. ($312.7m.). Rival stores chains in the U.S. reported record figures for the period. Page 28

EF PRICE CHANGES YESTERDAY

es in pence unless otherwise indicated)

RISES

arian 7½ pc '24		
nted	£52	+ 7
. Dairies	238	+ 10
am	633	+ 11
ord (S. and W.)	217	+ 7
	211	+ 6
ng (C. T.)	120	+ 4
ercial Union	155	+ 4
n (R.)	258	+ 8
ernsey Sec. Tst.	23	+ 5
n Engineering	87	+ 4
	535	+ 8
A	288	+ 6
Lotus	47	+ 6
r Siddeley	198	+ 6
Motor	103	+ 5½
ls	195	+ 8
anghai Bkg.	285	+ 8
of Fraser	142	+ 7
Jarvis (J.)	173	+ 5
Laing (J.) A	132½	+ 5½
Lucas Inds.	270	+ 8
Marks and Spencer	150	+ 4
Mills and Allen Intnl.	196	+ 9
Molins	110	+ 6
Morrison (Wm.)	206	+ 19½
Robertson Foods	137	+ 6
Thomson Org.	206	+ 8
Tube Invs.	378	+ 8
Turner and Newall	187	+ 5
Turner (W. and E.)	34	+ 5
Unilever	496	+ 12
UDT	41	+ 4
United Scientific	290	+ 15
Wallis Fashion	58	+ 6
Shell Transport	526	+ 14
London Sumatra	125	+ 7
FALLS		
Heath (C. E.)	265	− 5
Sanger (J. E.)	35	− 10
Hartebeest	935	− 55
West Driefontein	£16¾	− ⅜

Immigration row flares as MPs call for quotas

BY RUPERT CORNWELL, LOBBY STAFF

The controversy over immigration flared again last night after an all-party group of MPs issued a unanimous call for stiffer curbs, including what amounts to a formalised quota system to govern entry from the Indian sub-continent.

The report, from the 10-man Select Committee on Race Relations and Immigration, was finalised amid open party warfare at Westminster. In spite of the committee's overwhelming desire to present a united front, there was widespread astonishment last night that Labour MPs had been able to lend their names to such stern proposals.

The report's basic message is that Britain's gloomy employment prospects mean that there can be no further major immigration. It says the Government must respect undertakings already given but control of "secondary" immigration by dependents and of illegal entry should be tightened.

The report is likely to help the Conservatives, who this weekend will be finalising their own scheme to limit immigration. Tory spokesmen last night welcomed the report findings but the Government and most Labour MPs were very cautious — and the Liberals scathingly critical.

Of the 29 recommendations agreed by the committee of five Labour and five Conservative MPs, the most important are:

● Better Home Office statistics on present and future immigration. The absence of reliable figures damages race relations, the report says.

● A crackdown on illegal immigrants. Social security checks should be enforced, and no more amnesties granted.

● An independent inquiry to see if internal controls, along Continental lines, should be introduced.

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● Early publication of a White Paper with proposals to sort out Britain's nationality laws.

● A phased end to the admission of foreign workers without permits into the hotel and catering trades, and into domestic and auxiliary nursing services.

● Announcement annually by the government of an "overall figure" for immigrants from the Indian sub-continent. Wives and children (up to 12 years) would have priority over male fiancés.

● Faster processing of those entitled to come to Britain

Rebutting the claims of Mrs. Margaret Thatcher, the report says that only if the government breaks prior commitments can there be a significant change in the level of immigration "and it would be misleading to suggest otherwise."

With its acceptance of a quota system, the committee backs what is likely to be a key theme of the Tory package, although its ten MPs are divided over the desirability of a register of dependents.

The Conservative proposals may be published in about a fortnight. They are likely to echo the report's stand on priority for wives and young children. But the suggestion of internal controls is too much for the Tories to accept.

Mr. Merlyn Rees, the Home Secretary, warned yesterday that such a measure would have implications well beyond immigration controls.

He promised to see whether extra figures on immigration could be provided, and reiterated the Government's determination to stand by earlier commitments.

In any case, primary immigration "as we have known it since the war" had ended, and the overriding need was for good race relations, he said.

Mr. William Whitelaw, Tory Home Affairs spokesman, welcomed the report as "construc-

Continued on Back Page

Unemployment down for sixth month running

BY DAVID FREUD

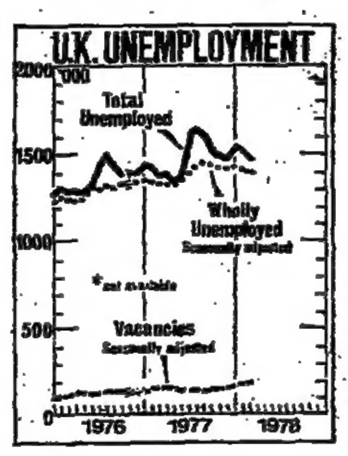
ADULT UNEMPLOYMENT has fallen for the sixth consecutive month to mid-March, although the jobless total is still the highest for any March since the war.

At the same time notified vacancies have continued to rise and are at the highest level for three years.

Whitehall officials are puzzled by the figures, which are in apparent contradiction to the stagnant or declining trend for industrial output. For this reason they are reluctant to take the improvement as evidence of a turning point.

The number of adults out of work in the U.K. fell by 9,000 in the month to mid-March to 1.4m., seasonally adjusted, according to Department of Employment figures published yesterday. The proportion of the workforce unemployed was unchanged at 5.9 per cent.

Since last September, the number out of work has fallen by 34,900, an average fall of 5,800 a month. The small figures involved are an additional reason for official caution. The total is still 50,000 higher than 12 months ago.



The most encouraging indicator is the rise in notified vacancies. These have gone up by 8,800 to 195,800, seasonally adjusted, the highest since February, 1975, when 199,000 vacancies were notified. Since last September, the number of vacancies has increased by 41,100.

The figures resemble the experience of the 1976-77 winter, when there was a fall in unemployment, followed by a rise. Nevertheless, the upward movement has been more sustained during this last winter.

The total number of unemployed, including non-adults, is expected to rise next month, when 72,200 are likely to leave schools throughout Great Britain. Last year the comparable figure was 69,000 and the register increased by 20,000.

This total will be added to the 37,600 school-leavers still on the register from the end of the last school year, about 6,300 more than in March, 1977.

The increase is due to the fact that there were more school-leavers last year. In percentage terms there has been little change in the number finding work.

Of 643,000 looking for jobs after the 1975-76 academic year, 95 per cent. were employed by the following March, while 94 per cent. of the 663,000 who left after 1976-77 are now working.

The unadjusted unemployment total in the U.K., including school-leavers, fell by 47,700 to 1.46m. in the month to mid-February. The total for Great Britain fell 46,880 to 1.40m.

Map, Page 9

Special N. Sea oil fund rejected

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT proposes to channel the revenue from North Sea oil into four key areas, including industrial regeneration. But there is to be no special oil fund, as urged by the Left wing of the Labour Party and some others. Instead, Parliament will receive an annual report on the use of the money.

These are the main conclusions of the long-awaited White Paper on oil revenues published yesterday, which sets out to show how the Government intends to use the "unique opportunity" which it is estimated will give an Exchequer yield from North Sea oil and gas of around £4bn. in the mid-1980s.

The White Paper, which confines itself more to listing options available than to plumping for specific priorities, shows that Mr. Denis Healey, Chancellor, has won decisively his Cabinet argument with Mr. Anthony Wedgwood Benn, Energy Secretary, on the handling of oil revenues.

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It is also evident that with an election in prospect, Ministers see the document as a potential vote-winning package and elaborate preparations were made for its launching by the Prime Minister, flanked at a Press conference by Mr. Healey, Mr. Benn and Mr. Bruce Millan, Scottish Secretary.

In spite of the White Paper's general lack of precision about how the oil revenues would be spent, it does include various policy proposals favoured by the Left-wing of the Labour movement and by trades unions. These include planning agreements, industrial democracy, a moderately interventionist role

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President Carter welcomes Mr. Begin to the White House.

Carter-Begin talks open

BY DAVID BELL WASHINGTON, March 21.

PRESIDENT CARTER warned Mr. Menahem Begin, the Israeli Prime Minister, to-day that the "bright days of new opportunity" had been clouded over by recent events. He made it clear that the U.S. believes that responsibility for preventing the complete collapse of current peace moves now rests with Israel.

Half-an-hour after the leaders' first meeting a cease-fire declared unilaterally by Israel was supposed to have come into force. The announcement was timed to coincide with the opening of the talks.

In New York, UN officials said that an advance unit of the UN Interim Force in Lebanon would move into the south of Lebanon after the Israeli announcement of a cessation of hostilities.

In a sombre welcoming ceremony on the White House lawn, President Carter paid his customary tribute to Israel. The atmosphere was markedly less warm than in times past, though, reflecting the serious differences between the U.S. and Israel, which have been compounded by the Israeli invasion of Lebanon.

Mr. Carter referred only briefly to the Israeli military intervention, but said that the situation in the region underlined the fact that "militarily Israel is at the strongest point in her history." With that strength came clear "responsibility for the future," he said.

In reply Mr. Begin, looking tired and drawn, said that the Fatah raid on Israel had demonstrated the character of the implacable enemy she (Israel) faced.

Israel had already presented a "most forthcoming" peace plan. "We can only hope that the spirit of the Jerusalem meeting with President Sadat last year appears anew," he said.

The two men then began two hours of talks which are to be followed this evening by a private dinner.

The U.S. is expected to resist Israeli attempts to make the Lebanon a principal subject for discussion. Mr. Carter went out of his way to-day to emphasise the importance of UN Resolution 242, which calls on Israel to withdraw from occupied territories. This and the question of Israeli settlements in the West Bank and Sinai are expected to be the subject of hard discussions in the next two days.

David Lennon writes from Israeli-occupied Lebanon:

Less than an hour before the announcement of an order issued by Mr. Ezer Weizman, Minister of Defence, for a cessation of hostilities, Israeli artillery was shelling heavily the port of Tyre. There was no indication that troops of the 20,000-man invading force were preparing to withdraw.

While in the area yesterday, I saw Israeli howitzers unleash a bombardment on Tyre which at times was intense. The activity seemed in contrast to the statement by the military spokesman in Tel Aviv to-day that there had been only sporadic shooting against isolated pockets

There were no signs that the troops were preparing to make way for UN forces. On the contrary, the movement of equipment and personnel indicated Israel's intention to secure the area more fully.

In the occupied zone I saw a number of villages which had suffered in the fighting—Ghandouriye, a fortified hilltop village, had been partially flattened by an air raid. Others, however, were untouched after the inhabitants had surrendered to Israeli forces.

Crisis in Lebanon, Page 2

Italy takes crisis action

BY DOMINICK J. COYLE

ROME, March 21.

NEW anti-terrorist measures were approved to-day by Italy's minority Christian Democrat Government.

Details were not immediately available, but a decree law is believed to provide for wider powers of arrest, the questioning of suspects without legal representation and, where considered necessary by the security forces, widespread use of telephone tapping.

The measures, which can take immediate effect but must be endorsed by Parliament within two months, would give the authorities the right to demand from clearing banks information concerning withdrawals and deposits above a certain level.

This provision is intended to halt ransom payments in kidnap cases and prevent so-called "relaundering" of such funds.

These latest moves in the fight against both criminal kidnappings and politically-motivated acts of terrorism such as last week-end's kidnapping of Sig. Aldo Moro, a former Prime Minister, are understood to have the broad support of the main political parties, including the Communists who have joined the Parliamentary majority in Italy in support of the minority administration of Sig. Giulio Andreotti.

It is likely, however, that some clarification of the measures was being sought this evening by the non-Government parties, thus postponing briefly disclosure of the precise details. The measures are expected to be implemented largely as forecast, however.

Most of the proposals were incorporated tentatively in the so-called "agreement of the six" last July, when an earlier Andreotti administration reached an agreement on general policy with the Communists and four other Opposition parties.

The massive hunt for Sig. Moro's kidnappers, who claim to be members of the extremeLeft Red Briagdes terrorist movement, continues throughout the country.

The authorities are satisfied that Sig. Moro is still alive. There still appears to be some official reluctance, however, to say definitely which terrorist group is involved.

£ in New York

—	March 20	Previous
Spot	$1.9040-.9050	$1.9070-9080
1 month	0.01-0.06 prem.	0.03-0.03 prem
3 months	0.05-0.06 prem	0.05-0.09 prem
12 months	0.20-0.05 dis	0.20-0.10 dis

Accord over major loan to Turkey by IMF reported

BY DAVID TONGE

MR. ZIYA MUEZZINOGLU, the Turkish Finance Minister, yesterday flew from Ankara to Washington amid reports that Turkey has finally reached a major loan agreement with the International Monetary Fund.

Such an agreement could herald the way to a recovery of the Turkish economy and an ending of the grave foreign exchange problems which have brought many imports and local industries to a halt. A group of foreign bankers have told the Turkish Government that as soon as the agreement is certain they will make immediate fresh credits to Turkey.

Turkish finance ministry officials said to-day that the IMF has agreed to grant Turkey $450m. of credits. This is a higher figure than had been discussed during the negotiations with the Demirel Government which fell just before the New Year.

The Finance Minister had been due to travel to Washington last week but apparent problems over the letter of intent led to that trip being postponed.

The Ecevit Government has accepted devaluing the lira and holding down the budget and trade deficits.

Turkey has made no payment for normal imports since February, 1977, and has fallen behind in payment of a wide range of obligations. However, though its arrears are huge, its actual cash requirements are considerably lower, one leading banker dealing with Turkey explains. He argues that many of Turkey's debts can be rescheduled.

The banker says that an immediate short-term credit of around $250m. has been discussed by the group, with this to be incorporated in a medium-term credit of around $600m.

Costs mount in strike of German metalworkers

BY JONATHAN CARR

BONN, March 21.

THE STRIKE of metalworkers in one key region of West Germany goes into its second week tomorrow with the costs of the dispute mounting and no early accord in sight.

The employers side to-day estimated that the stoppage was costing the metalworking industry throughout the country roughly DM150m. daily in lost turnover.

At present the strike is only underway in selected parts of the area of North Wuerttember—North Baden, where more than 600,000 metalworkers are employed. But companies based there and affected by the stoppage are having to lay off workers in their factories elsewhere in the Federal Republic.

Daimler Benz, for example, has introduced short-time work for around 1,000 employees in its Berlin works alone. Volkswagen has said it may have to halt production at some of its factories by month's end if components from the strike-hit region are not forthcoming.

The union, IG-Metall, faces increasing expense, too, in pay both for its members who are on strike and for others who have been locked out by the employers. One estimate suggests the union's bill will top DM50m. if the dispute goes on past the Easter period.

Thus for reasons of cost alone both sides are under pressure to seek a settlement. But efforts to resolve the dispute last week-end broke down and there has been no firm move yet to hold further talks.

The union began by demanding an 8 per cent. wage increase while the employers offered less than half that. The gap has narrowed, but the issue is also complicated by union demands on job security and pay group classification. The outcome of this regional dispute will set a signal for the whole country, not only in the metalworking industry, but in other only distantly related fields too.

Portugal gets NATO aid

BY JIMMY BURNS

LISBON, March 21.

WEST GERMANY has delivered 18 "M48A5" tanks as part of an overall military assistance programme promised by the NATO powers to bolster Portugal's military presence on the southern flank, and make her 4,500-man NATO brigade fully operational by 1980.

Meanwhile, military sources here have confirmed that Portugal is currently considering a British offer of further military equipment, including scout cars and light artillery.

West Germany has already contributed 40 G91 jet fighters to Portugal's NATO force, and a number of its military advisers have helped the Portuguese set up the Santa Margarida military base north of Lisbon where the brigade is centred.

The United States has so far contributed five tanks of the same type as that donated by the West Germans, in addition to 56 armoured personnel carriers. It has also pledged an unspecified number of C-130 transport aircraft.

Britain along with other NATO countries mainly contributed to the overall re-training of the brigade by providing badly-needed staff courses for Portuguese military officers. Military aid offered by the major NATO powers meets the wish of President Eanes that Portugal should be treated as a full and equal partner within the NATO alliance.

Spain farm price accord

BY ROBERT GRAHAM

MADRID, March 21

AFTER a session lasting until early this morning, representatives of the various Spanish farmers' associations have reportedly agreed on an average 16 per cent. price increase for 1978 for the 19 essential commodities that are Government controlled.

However, there has still been no agreement on the specific price of two of these commodities, wine and milk.

The new levels apply to farm gate prices: thus the increase paid by the consumer, if they reflect the pattern of previous years, will be higher. Indeed economists fear the new price increases will hinder Government attempts to reduce inflation to 17 per cent. this year.

The negotiations have proved extremely complex, not least because of the number of organisations involved. They have also brought into the open the deep discontent among farmers, over the level of farm gate prices, over the poor returns on investment, and over low wages and the alarming rate of unemployment, especially in the south of Spain.

This discontent has been evidenced by large scale demonstrationed by farmers in Galicia, in Andalucia, and in Valencia. It seems the Government had hoped to try to negotiate an agreement that resulted in a substantially lower overall increase. But the new prices of some of the items released unofficially to-day suggests that in the past five days, the Government has come some way to meeting the producers demands. However, one of the farmers organisations originally sought an average increase of almost 30 per cent.

Swedish finance for Norwegian oil field

By William Dullforce

STOCKHOLM, March 21.

SVENSKA PETROLEUM (SP), the Swedish State oil company, is to provide up to $100m. for the development of the Norwegian offshore oil Valhall field. In return, it will be assured of crude oil supplies from the Valhall and Tor fields and be able to take part in future prospecting on the Norwegian continental shelf.

Although the quantity of oil involved is small compared with Sweden's annual import of close to 30m. tonnes, the agreement announced to-day represents a breakthrough for the Swedes as the first to guarantee them access to Norwegian oil.

Under the preliminary agreement with the private Norwegian oil company NOCO in return for the $100m. loan, SP will be able from 1979 to buy at market prices NOCO's share of the crude oil production from the Tor and Valhall fields. This is expected to total some 6m. tonnes.

The Swedish company will also get an option to participate in any future projects in the Norwegian blocks 2/5 (part of the Tor field), 2/8 (Valhall) and 2/11 (the Hod field). It also wins the right to take a 10 per cent. share in block 2/9, where prospects of a new discovery are thought to be good.

The agreement is provisional on acceptance by NOCO's partners in the Amoco/NOCO group and by the Swedish and Norwegian governments. SP will raise its $100m. by borrowing on the international market with a state guarantee.

Both Tor and Valhall are being developed in association with the Ekofisk field operated by Philips. The oil and gas from these fields will be pumped through the Ekofisk pipeline to Teesside and Emden. Production from Tor, which is estimated to have recoverable reserves of 25m. tonnes of oil and 600bn. cubic feet of gas, is due to start next month.

Recoverable reserves in Valhall are put at 60m. tonnes of oil and 1.3bn. cubic feet of gas. Initially, only the "A" structure containing 33m. tonnes of oil and 700bn. cubic feet of gas will be developed at a total cost of $650m. Production is scheduled to start in 1981 and build up to a rate of 100,000 barrels a day.

NOCO, a consortium of 19 Norwegian shipping, industrial and insurance companies, was the forerunner of the Saga company, in which its members now hold 43 per cent. of the stock. It is part of the Amoco/NOCO group, which in addition to Amoco comprises Amerada Petroleum and Texas Eastern.

This group has rights in five blocks east of Ekofisk, including the Tot, Valhall, Hod and south-east Tor fields. NOCO owns about 4 per cent of the Tor field and 15 per cent. of Valhall.

Extremists accused over Greek demo

The Greek Ministry of Public Order has accused extremists belonging to left-wing organisations of having instigated Monday's demonstrations in Patras, north-western Peloponnese, during which 55 people were injured, our Athens Correspondent writes. The ministry said that about 250 extremists infiltrated a student demonstration for reforms in the educational system of Patras University. The clashes occurred when the demonstrators defied a police ban to march through the city's streets.

Portsall village: no fish, but the oil is free

BY MARK WEBSTER

BREST, March 21.

THE PICTURE BOOK Breton village of Portsall had never known such a tourist boom. Car loads of people, with the regulation white-haired grandmother in the back seat, blocked the roads for miles around.

Normally, visitors come in the summer to look at the picturesque church or to eat at the excellent fish restaurant. Now the owner of the restaurant has put up a new sign. "No fish," it says, "but the oil is free."

Portsall has dubbed itself the "dirtiest village in the world" since the oil tanker Amoco Cadiz ran aground nearby in stormy weather just after midnight last Thursday

The police have now thrown a cordon around the village because the numbers of the curious had begun to hamper the rescue operations and the massive clean-up. The tanker still sits majestically immobile only two miles from the shore. The sight is impressive but the smell is appalling.

Hydrocarbon gas from the stricken vessel can be smelled miles inland. Local farmers have harvested their vegetables prematurely because everything the gas touches becomes tainted with the taste of oil.

The Breton coast relies for a significant part of its income upon tourism and fishing. These have been the biggest victims of the tanker disaster. In Portsall alone, 200 of the winter population of only 1,200 rely on fishing for the major part of their income.

> 'It's a joke! A bad joke. One day we have a beautiful place to live, a job and everything. The next, we have this filthy black muck. . . .'

During the summer months, the population of the village swells to nearly 5,000 because of the large number of people with second houses in the area. In addition, there are numerous guest houses which regularly welcome hundreds of holiday-makers from the cities.

The deputy mayor of the village, Mr. Jules Legendre, came straight to the point: "We're ruined. The mainstay of the village economy is fishing and the tourists. Nothing is being done, nothing." In the harbour of the tiny village, the only visible efforts at heating the pollution are the sewage tankers which are sucking oil from the surface of the harbour to take it to Brest for refining.

"It's a joke! A bad joke. One day we have a beautiful place to live, a job and everything. The next, we have this filthy black muck," said a village fisherman.

Most of the villagers tend to blame the Government because the Socialists have long had a strangle-hold on the area. But experts on the scene insist that the damage is more visual than fundamental. A spokesman for the French maritime authorities has claimed that so far little lasting damage has been done to aquatic life in the area. "The fish and the shellfish are allright as long as they are under the oil and in the water. The problem only really starts once the water level sinks at low tide. The oil settles on the shellfish and they are no longer able to breathe. By the time the sea comes in again, the damage has been done," he said.

The most sensitive areas are those towards the north in the two inlets of Aber Benoit and Aber Wrach. The lucrative oyster beds along the inlets have not yet been seriously affected but the authorities accept that it is only a matter of time before enough of the oil seeps under the rubber inflatable barriers, which are protecting the inlets, and pollutes the beds.

The cost of compensating the fisherman is impossible to gauge. The insurers of the oil company insist that the fishermen have to proev that damage has been done before they receive compensation. But the Government, more sensitive to political pressure, has already started a fund of Frs.10m. to compensate the fishermen for loss of earnings.

Hundreds of them have handed in their fishing licences to the authorities in Brest as a protest at what they consider the lack of action by the authorities to beat the oil pollution.

However, as the senior Naval officer, Admiral Jacques Coulondres, said to-day, there are two ways of tackling the problem. One is to pull out all the stops immediately and the second is to wait until the pollution has done its worst before trying to tackle the problem.

The French Government is following the latter course on the advice of environmentalists who have said that repeated scraping of the beaches might do more damage than leaving the oil until it was possible to do one final clean-up.

For the time being, the highly profitable and well-developed fishing industry in the Bay of Brest has not been affected. The authorities say that since most of the trout and salmon along the shoreline are kept in pens, it is unlikely that, even if oil did seep into the bay, that permanent damage would be done.

One of the French pollution experts has even gone so far as to say that he would wager a bottle of champagne that it will be possible to swim in the sea (even near the coast at Portsall) in June.

The villagers are not so sure. The atmosphere in Portsall is rather like a closed room containing a faulty paraffin heater. The villagers are already complaining of headaches. "How do you get compensation for something you can't prove," one of them asked.

Irish wage deal faces rejection

By Giles Merritt

DUBLIN, March 21.

IRELAND'S 1978 national wage agreement is in danger of being rejected by the trade unions. The pay pact, which proposes average increases of 8 per cent., is the wage restraint package on which the Government is basing its ambitious economic strategy.

But union doubts over the strike cooling off period it contains are expected to lead to its rejection when the 90-union strong Irish Congress of Trades Union votes on it, on Thursday.

The likelihood of the agreement's rejection hardened considerably to-day with the result of a national ballot by the largest single union in Ireland, the Irish Transport and General Workers' Union. The ITGWU's 100,000 members voted by more than 2-1 against acceptance of the pay pact.

Thursday's special conference of the wages deal had been called to ratify the agreement that was struck last month after protracted negotiations between Irish employers' and union representatives.

But with the industrial relations climate in the Republic worsening perceptibly because of the unresolved telecommunications and Aer Lingus strikes, it appears that the innovation of a cooling-off period will lead to its rejection.

In addition to doubts over the proposed six-week cooling off period, a number of union leaders have been emphasising that the pay awards contained in the national agreement are insufficient.

Should the deal be rejected on Thursday the Government, will be faced with the task of renegotiating a wages deal that had already exceeded its 5 per cent. guideline for pay rises this year.

The national wages agreement is an integral part of the Government's plan for raising GNP growth this year to 7 per cent., and if its awards are further increased the current economic programme could be seriously endangered.

Gaullists insist on independence

BY DAVID CURRY

PARIS, March 22.

CONFIRMATION, if any was needed, that the next French Government is going to have to cope with severe tensions between the parties supporting it in Parliament, has come within two days of the final voting in the general election.

The Gaullist Party, which was given an official score of 148 seats by the Ministry of the Interior (under the Centrist M. Christian Bonnet), has already acted to mark its distance from the Government.

The party executive has decided that any party member who joins the Government will have to abandon any party function. This means that Gaullist Ministers will not be able to commit the movement as a whole to support official policies, and will free the Party leadership to spell out its own policy on important issues.

It will also enable the Gaullist Party to construct an independent platform to launch its leader, M. Jacques Chirac, on an eventual bid for the Presidency in 1981.

Irritated at the attempts to brand the Gaullists as the party of reaction, M. Chirac shows signs of wanting to outbid the Centrist UDF Alliance in the reform stakes. He has repeated over the past few weeks his insistence on a "new economic policy" aimed at a return to full employment, implying a strong dose of reflation, a "new social policy" based on worker participation and more "generous" treatment of the less well-off.

He has also renewed such familiar populist themes like an anti-bureaucracy crusade and greater respect for law and order, the State and the family and warned that his party will tolerate no attempt to introduce proportional representation at local or national level.

He has hinted that if the Government did not follow "orientations" to which his Party subscribed, the Gaullists would reconsider its support.

The actual strength of the Gaullists relative to the UDF Alliance will only be finally seen when the two formations form their National Assembly groups. M. Chirac accuses the Interior Ministry of deliberately minimising Gaullist numbers to exaggerate the importance of the Centrist Alliance.

The socialists are experiencing tensions within their own party following the election defeat. The national executive issued a statement bitterly criticising the Communists at the end of yesterday's meeting when it was decided to hold a special Congress at the end of April.

But the Left-wing Ceres Group in the Party, about a quarter of the membership refused to endorse the statement largely because they think the Party is too anxious to ditch the common programme of the left. Ceres has always been the most enthusiastic supporter of the Left-wing alliance and of a common policy with the Communists.

M. Francois Mitterand, the Party leader, wishes to stop the Party changing course too abruptly, though he recognises the programme of the Left is a dead duck. He is suggesting the Party designate its candidate for the Presidential elections as early as 1979. At the moment, it is difficult to see how this could be anyone other than himself.

M. Raymond Barre, the Prime Minister, went to the Elysee to see President Giscard d'Estaing this morning, but no hint of what was discussed has emerged.

Italy repays first part of EEC loan

By Paul Betts

ROME, March 21.

ITALY HAS repaid on schedule the first tranche of a $349.6m. of a European Community $1.4bn. loan negotiated in 1974, so reducing its total foreign debts, including that of the commercial banking system, to $17.7bn. compared to $19.7bn. at the end of last year.

Earlier this month, Italy also repaid some $368m. to the International Monetary Fund (IMF), and a further $500m. to the Bundesbank. There was also a $31m. repayment of a $1.7bn. IMF "oil facility" drawn by the Italian Government.

The Bank of Italy's total foreign indebtedness now stands at some $5.6bn. while the country's commercial banking system's foreign debt at the end of February totalled $5.87bn. Italy's overall foreign debt repayment bill in 1978 amounts to $3.5bn., with some $1.25bn. already paid back this year.

An IMF team is scheduled to visit Rome in May to review Italy's commitments agreed last April in a letter of intent at the time of a further Italian drawing of some $530m.

The IMF, however, is understood to have indicated, privately at least, that Italy's enlarged public sector deficit in 1978 could exceed the original letter of intent guidelines as long as it was contained in the region of L24,000bn. This is precisely the figure provided for in the new Italian Government's revised 1978 budget which must be approved in Parliament before the end of April.

Rhodesian doubts

Official sources in Salisbury have expressed surprise at reports suggesting that the International Monetary Fund has demanded Zambia resumes use of the Rhodesian transport system as a precondition for loan assistance, our Salisbury correspondent reports. Observers here thought it highly probable that the Zambians had been advised to revert to the use of Rhodesia railways as soon as possible.

Soviet novelist afraid to travel

BY DAVID SATTER

MOSCOW, March 21

WITH PRESSURE on politically suspect Soviet cultural figures to leave the Soviet Union is increasing markedly, Mr. Vladimir Voinovich, the Soviet novelist, said today he was turning down invitations to lecture in the West to forestall the possibility of being deprived of his citizenship while abroad.

Mr. Voinovich's decision came in response to Soviet actions in the last two weeks to deprive of their citizenships Mstislav Rostropovich, the cellist, his wife, soprano Galina Vishnevskaya, and former Red Army General Pyotr Grigorenko. All three had been associated with dissident activities and were stripped of their citizenship while abroad.

Mr. Voinovich, whose novel "The Adventures of Private Chonkin," has won wide praise in the West, received invitations from, among other places, Columbia University in New York and the British National Book League, but he said the actions of the Soviet authorities convinced him that "any trip of my own would be the same as voluntary exile."

Mr. Rostropovich and Miss Vishnevskaya were deprived of their citizenship for "unpatriotic activity" in a move which shocked members of Moscow's literary community who had thought the two protected by their artistic prominence. Gen. Grigorenko, a long time Soviet human rights campaigner, was stripped of his citizenship for actions which damaged the Soviet Union's prestige.

Mr. Voinovich told Western correspondents that he has also sent a letter to Mr. Nikolai Shchelokov, the Soviet Interior Minister, protesting about what he said was harassment directed against him by police in the town of Ordzhonikidze who told his elderly father that he was missing and feared dead. He said that after hearing this, his ill mother died.

CRISIS IN SOUTH LEBANON

Clashes in Jordan over PLO

By Rami G. Khouri

AMMAN, March 21.

JORDANIAN POLICE and army forces clashed today with groups of young Palestinian demonstrators throughout Amman who were showing their support for Palestinian and Lebanese forces fighting the Israeli army in South Lebanon.

Shouting slogans against King Hussein of Jordan and President Hafez Assad of Syria, the groups of hundreds of Palestinians were dispersed by Jordanian army and security forces, who sometimes had to shoot in the air, as they did yesterday in similar circumstances.

Security has been stepped up visibly in many parts of the Jordanian capital which is nearly three-quarters Palestinian in its population. The Jordanian Government yesterday issued a statement, at the end of a day of clashes, in which it said that the strongest possible measures would be used to put down any demonstrations.

● In Kuwait, two Palestinian commando leaders said in interviews published to-day that the guerillas would not surrender in the face of Israel's invasion of southern Lebanon. Mr. Mr. Salam Khalaf, a leader of the biggest commando group Fatah, was quoted in a Kuwaiti newspaper as saying the deployment of UN forces would not hamper commando movement, Reuter adds.

Syria holds key to security takeover by UN peace force

BY RICHARD JOHNS

THE CHANCES of a UN peace-keeping force successfully taking over an effective security role in the south of Lebanon in the near future now depends on the will and ability of Syria to control the Palestinian guerillas.

Syria is prepared to accept the entry of a UN force into the south of Lebanon on condition that the Israelis withdraw. Israel has said it will only pull back its troops and allow the international emergency force, which is now being mobilised, to occupy the buffer zone if it is assured that the guerillas are excluded from the area.

Last night, having secured the whole of the south of Lebanon south of the River Litani except for the Port of Tyre and its environs, Israel announced a cease-fire unilaterally.

The timing of the announcement was clearly designed to coincide with the talks which began yesterday between Mr. Menahem Begin, Isrraeli Premier, and President Jimmy Carter of the U.S.

On Monday, Mr. Ezer Weizman, Minister of Defence, said that Israel wanted to arrange a cease-fire agreement directly with the Lebanese Government. In effect, the lack of authority of President Sarkis's administration, which is maintained by Damascus, would mean that such an agreement would have to be reached—albeit indirectly—with the Syrians.

At the same time, Sweden and Canada, two of the countries which are expected to provide troops, have both indicated they are not prepared to commit their men unless a ceasefire agreement is in force.

Thus, Israel has put on Lebanon and Syria the onus of muzzling the Palestinian guerilla movement which is adamantly against the intervention of the 4,000-man UN force scheduled for dispatch as soon as possible under Sunday's Security Council resolution.

Yesterday, a meeting in Damascus of the foreign ministers of the "steadfastness front" which is opposed to President Anwar Sadat of Egypt's peace initiative and direct contacts with Israel ended with Syria having only obtained what appeared to be the reluctant acquiescence in the principle of a UN peace-keeping force entering the south of Lebanon to replace the Israeli forces. Also represented at the meeting were Libya, Algeria, South Yemen and—most problematically of all as far as a cease-fire is concerned—the Palestine Liberation Organisation.

After the conference, Mr. Abdel-Halim Khaddam, Syrian Deputy Premier and Foreign Minister, said: "The attendants agreed not to participate in any meeting that would include Mr. Sadat who is fully responsible for the situation in the area and for the recent Israeli aggression on Lebanon."

Reuter reports from Cairo: Mr. Sadat has welcomed proposals for an Arab summit to discuss Israel's invasion of south Lebanon, the semi-official newspaper al-Ahram reported yesterday.

So far 10 Arab states have approved of the summit.

General Ensio Siilasvuo (second from left), commander of the UN peace-keeping force in the Middle East, arrives in Beirut for talks with the Lebanese Defence Ministry.

Lebanon presses for ceasefire

BY IHSAN HIJAZI

BEIRUT, March 21.

LEBANON HAS begun intensive consultations to bring about a formal ceasefire in southern Lebanon after six days of fierce fighting between Israeli forces and Palestinian guerillas.

The contracts are with U.N. representatives, Syria and Saudi Arabia. Lt.-Gen. Ensio Siilasvuo, of Finland, who is chief co-ordinator of the U.N. Middle East peace-keeping mission, arrived here to-day and held talks with Mr. Fuad Butros, the Lebanese Defence Minister, and Brig.Gen. Victor Khoury, the army commander.

Gen. Siilasvuo was accompanied by Maj.Gen. Emanuel Erskine, of Ghana, who has been chosen by Dr. Kurt Waldheim, the UN Secretary General, to head the UN Interim Force in Lebanon (UNIFIL).

Their talks with Mr. Butros and Gen. Khoury centred on the proposed stationing of the UN peace-keeping force in southern Lebanon. The UN officials held talks in Israel yesterday with Mr. Ezer Weizman, the Israeli Defence Minister.

The Israelis had demanded a formal ceasefire with the Lebanese Government itself before moves could be made for getting U.N. troops into the battle zone. Israel will not negotiate with the Palestinians. The PLO's official view is that the Security Council resolution did not concern it, and that it was committed to continuing the struggle against Israel.

The Lebanese Government, therefore, is seeking help from other Arab states to persuade the PLO to abide by truce arrangements which Lebanon hopes to work out soon through the United States and the UN.

Dr. Selim al Hoss, the Lebanese Prime Minister, was in Damascus to-day where he held talks with his Syrian counterpart, Maj.-Gen. Abdel Rahman Khlaifawi, and other Syrian leaders.

Yesterday, the Saudi ambassador, Lt.-Gen. Ali al Shaer, held a lengthy meeting with President Elias Sarkis, of Lebanon. After the meeting the ambassador said his government was in contact with the Palestinians on the issue of withdrawals from the south. Mr. Yassir Arafat, the PLO chairman, has sent a delegation to Riyadh, the Saudi capital, to consult with King Khaled.

Informed sources said Saudi Arabia, concerned that the fighting in southern Lebanon might develop into an all-out Middle East war, has played a calming role in the crisis. From the beginning, the Saudis are said to have used their good offices with Damascus to avoid Syrian forces who serve with the Arab peace-keeping force in Lebanon being drawn into the fighting with the Israelis.

The Saudis at the same time were believed to be urging the U.S. to press the Israelis to halt their offensive.

هكذا من الأصل

Vietnam air corridor to reopen

The skies of Indo-China will re-open officially to international air traffic to-morrow for the first time since the end of the Vietnam war almost three years ago, Reutor reports from Bangkok.

Aircraft of about 10 Western and Asian Airlines will start flying a direct route between Bangkok and Hong Kong over Laos and Vietnam, rather than round the Indo-China peninsula.

Use of Amber One—the name for the air corridor—will cut flight time between Hong Kong and Bangkok by 75 minutes and save airlines collectively an estimated $24m. a year in fuel.

New Kwacha rates

The new Zambian kwacha rate against the special drawing right, to which it is pegged, is 0.976311 SDR against 1.08479 previously following last week's 10 per cent. devaluation, the Central Bank said yesterday, Reuter reports from Lusaka. Yesterday's Central Bank base rate for one U.S. dollar is 0.83221 kwacha compared with the pre-devaluation rate of 0.74985 kwacha.

Malaysia given loan

The Japanese Government has agreed to provide Malaysia with a Y21bn. (£41m.) loan under the fourth such yen credit to Malaysia Mr. Husein Onn, the Prime Minister, told Parliament on Tuesday, AP-DJ reports from Kuala Lumpur. He said the loan was for infrastructural projects under the third Malaysia plan (1976-80). One such project submitted for the Japanese Government's consideration was the Bintulu port project in Sarawak, costing about $124m.

College unrest

The Sri Lanka Government has decided to abolish the system of residential university campuses because of what it called uncontrolled indiscipline, including bomb-throwing and rioting, Reuter reports from Colombo.

Anti-cholera drive

A Ugandan medical team will carry out mass vaccinations against cholera along the Uganda-Kenya border this week, Uganda radio, monitored in Nairobi, said yesterday, Reuter reports. Vaccinations have already been carried out along Uganda's border fith Tanzania.

Chinese Communist leader may visit North Korea

PEKING, March 21.

MR. HUA KUO-FENG, Chinese Communist Party leader, may visit North Korea next month, informed sources said to-day. It would be Mr. Hua's first trip outside China and the first by a Party Chairman since the late Mao Tse-Tung attended the 40th anniversary celebrations of the Bolshevik Revolution in Moscow in November, 1957.

Observers in Peking saw the trip as a logical first visit to a foreign country by Mr. Hua, who became Chairman of the Communist Party in addition to his Premiership after Mao's death in September, 1976. President Kim Il-sung of North Korea last paid an official visit to Peking in May, 1975.

China has been pursuing a more active foreign policy over the past year since the purging of extremist leaders in late 1976. Mr. Li Hsien-nien, Vice-Premier, returned to-day from an official visit to Bangladesh after previously spending five days in the Philippines. Mr. Teng Hsiao-ping, the Deputy Premier, had made official trips to Burma and Nepal in late January and early February, and Chinese sources said they were happy with the way the visits had gone.

They stressed the importance that China placed on its relations with neighbouring Asian nations. A number of delegations are expected to travel abroad from China over the next few months and informed sources said more trips would also be made this year by Vice-Premiers, to Western Europe and possibly Africa.

Meanwhile in Taipei, Mr. Chiang Ching-Kuo, nationalist China's Premier and the elder son of Chiang Kai-Shek, was elected the new President by the National Assembly on Tuesday. Mr. Chiang has so far won 625 votes. According to the regulations on Presidential elections, a candidate who wins over 50 per cent. of the total 1,248 votes in the National Assembly becomes President.

The Secretariate of the Assembly is still counting the remaining votes which were cast by secret ballot. Observers speculate that Mr. Chiang will obtain close to unanimous support from the delegates.

Over 85 per cent. of the delegates of the National Assembly, the nation's electoral college, are members of the ruling Kuomintang, of which Mr. Chiang is the chairman. He succeeded his father, the late Generalissmo Chiang Kai-Shek who died on April 5, 1975.

Agencies

Mr. Hua Kuo-feng, Chinese Communist leader and Premier, who may be planning a trip to North Korea. It would be the first visit abroad of a Party Chairman for more than 20 years.

Young sees Nyerere on Rhodesia

DAR ES SALAAM, March 21.

U.S. envoy Mr. Andrew Young had talks with Tanzanian President Julius Nyerere to-day on the stalled Anglo-American proposals for black majority rule in Rhodesia.

"I want to hear what President Nyerere thinks is our best step forward from here," Mr. Young told reporters at the airport on arrival. The Tanzanian leader, the chairman of the five black frontline States which back the guerillas fighting in Rhodesia, was expected to urge him to press on with the U.S.-British package.

The five countries and the guerillas fear Britain and America may recognise the internal settlement between Rhodesian Prime Minister, Mr. Ian Smith and three black moderates.

Asked why he was making his surprise visit, Mr. Young said a crucial juncture had been reached on Rhodesia and Namibia (South West Africa) and it seemed appropriate to meet African leaders again.

Reuter

Michael Holman writes from Lusaka: Mr. Joshua Nkomo, co-leader of the Rhodesian guerilla alliance, the Patriotic Front (PF) to-day carefully spelt out the circumstances under which he and fellow PF leader Mr. Robert Mugabe would attend a conference involving the participants in the recent Salisbury agreement.

Mr. Nkomo, speaking at a Press conference here, said that first the Malta conference must be re-convened to discuss "military arrangements and associated matters." This would exclude other black leaders because "we cannot meet with people who have no military forces."

However, provided "there is agreement of movement from war towards genuine independence," Mr. Nkomo went on, all other interested parties could attend the subsequent constitutional conference proper. "If Britain wants them to attend, they are entitled to attend. That's not our business."

State emergency rescue volunteers evacuate flood victims in the Sydney outer suburb of Panania after gales and torrential rains lashed the New South Wales coast. Meanwhile, the Prime Minister, Mr. Malcolm Fraser, is considering emergency action to end a postal strike which has tied up about 18m. pieces of mail in New South Wales and elsewhere. About 1,600 mail van drivers are on strike in protest against the introduction by Australia Post of private contract mail delivery services in some country areas of New South Wales and the Australian Capital Territory. Since midnight Monday, Australia Post has been standing down other employees who have no work because of the drivers' strike. A postal spokesman said that altogether 2,000 workers had been stood down and the total would probably reach 5,000. Mr. Fraser summoned Mr. Tony Staley, the Minister for Posts and Telecommunications, and Mr. Tony Street, the Minister for Employment and Industrial Relations, to a special meeting yesterday evening to consider recommendations that might be put to Cabinet this morning.

India's 22 States flex their political muscle

BY K. K. SHARMA IN NEW DELHI

INDIA'S FIVE YEAR "rolling plan," aimed at boosting economic development and cutting unemployment, has run into trouble following opposition from the Chief Ministers of the country's 23 States. The stand taken by the Ministers—drawn from at least eight political parties—highlights the new forces at work in India which could seriously strain the country's federal structure.

The states voiced their opposition to the plan at a two-day meeting of the National Development Council (NDC) last week-end, the country's supreme economic decision-making body. This effectively dashed the hopes of Mr. Morarji Desai, the Indian Prime Minister of securing a rubber stamp approval for the plan from the States.

The Chief Ministers gathered at the NDC meeting were, Mr. Desai found to his horror, scarcely bothered with the plan which had been sent to them for examination only six days earlier. Rather than discuss the plan's main aims and development strategy, ways of removing unemployment and reducing income inequalities, the Chief Ministers were concerned almost exclusively with the issue of state autonomy and their right to impose taxes themselves.

The demand for fiscal autonomy was made with such force that eventually the NDC instructed India's Planning Commission, headed by Mr. Desai, to prepare a new draft of the plan after detailed consultations with the States. Mr. Desai has steadfastly been refusing to consult in this manner. This means that the plan earlier expected to be endorsed by the NDC just before it was due to go into operation on April 1, will now be delayed by nearly a year.

Moreover the Commission, which is really an advisory body whose members are professional economists and academics, will have to grapple with political problems arising from the demand for further state autonomy. This aspect cannot be ignored now that the NDC meeting has ended with a decision to appoint a committee of Chief Ministers to study centre-state fiscal arrangements. Mr. Desai tried hard to avoid the appointment of such a committee since it would throw up demands that could lead to a serious weakening of the central Government's position in the country's federal structure. He got the NDC to say that the committee will examine the fiscal structure "having regard to the constitutional provisions," hoping thereby that the committee will be precluded from recommending constitutional changes needed if the States' demands for further autonomy are to be conceded.

But this qualification is certain to be ignored by the Chief Ministers. The Marxist Chief Ministers of West Bengal and Tripura immediately dissented from the stipulation that the committee will confine itself to constitutional provisions, leaving them free to discuss radical changes. More ominously, 12 Chief Ministers have decided to meet independently next month at Chandigarh, capital of Punjab, to discuss the question of further fiscal and financial autonomy for the States. This suggests a sharp division between the mainly Janata-controlled States, that are content with the present position, and the others that want to debate, with a view to changing, centre-state financial powers.

BURMA

Putting his trust in army intelligence

BY DAVID HOUSEGO, ASIA CORRESPONDENT

DISTURBED by growing signs of unrest in Burma, President Ne Win, who has been in power for 15 years, has just concluded a major reorganisation of his regime intended to forestall any future challenge to his authority. The membership of his newly appointed Council of Ministers is a clear sign of his leaning more heavily for the effective running of the country on his much feared military intelligence service—almost the only group he feels he can trust.

Ten of the 17 ministers in the new Cabinet are from the military as compared with four of 18 at the beginning of last year when the then civilian facade to the government seemed part of an attempt to attract aid and investment from the West. The council is short of administrative experience, has evidently been picked from men whose loyalty is not in doubt, and includes a hefty ballast of recruits from the state security force.

Their nomination is the tail-piece to a lengthy period of political upheaval. It was preceded by the convening of the People's Assembly—as in China, officially the highest institution in the State, but in practice no more than a lap-dog to Ne Win. National elections were held to it during a two week period in January. Prior to these the Burma Socialist Programme Party, the only permitted political movement, had held its Third Party Congress early last year followed by a further hastily summoned special congress in November. In the process well over 100 top figures in the Administration and the army have been purged or kicked upstairs into sinecure jobs—this in addition to the 50 party members expelled in ... Among the first casualties were the former Prime Minister, U Sein Win, and his deputy (and Finance Minister), U Lwin, who were the architects of the open economic policy of ... ing Burma's plentiful natural resources. Later victims included opponents; the hardline ... lists U Than Sein, briefly Minister of Finance and Planning, and U Tun Lin, Minister of Transport and Communications. They were arrested in September.

Others recently downgraded have been officials or members of the military with Soviet connections. This is intended as a gesture of appeasement to China which Ne Win—who dropped his rank of general in 1972—has been hoping will diminish its support for the insurgent Burmese Communist Party that operates from a base in China's southern province of Yunnan. Ne Win pressed for this when he visited Peking last year and reiterated the point when China's Vice Premier Teng Tsiao-ping paid a state visit to Rangoon a little more than a month ago.

Le Win's preoccupation with re-establishing his personal supremacy has meant that the economic reforms proposed by the World Bank, which organised an Aid to Burma Consortium of donor nations in 1975, have largely been put into limbo. After a brief upturn in the economy as a result of aid flows and good harvests the familiar pattern of stagnant or declining output in agriculture and industry has returned.

President Ne Win has felt threatened by two major challenges. The most serious has been the advances made by the Communist forces, now numbering well over 8,000, which over the last year have mounted some of the heaviest attacks since fighting began in 1946, and have penetrated more deeply into Burma than before. Recent reports have suggested that they are preparing to strike at the two key north eastern towns of Hsenwi and Kunlo which would mean that they have a foothold west of the Salween River. Whether they can entrench themselves in the territory they have captured is another matter.

Their success has been largely due to the alliance developed with the numerous dissident tribal forces in Shan and Kachin state which have unsuccessfully pressed for autonomy against Ne Win's centralist regime. It has also stemmed from the low morale in the Burmese army. Desertions are said to have reached 500 a month from an army of 170,000.

The other worry has been the discontent in the army which came to a head in mid-1976 with the uncovering of the so-called "captains plot." It was the first known attempt, involving six army officers, to assassinate Ne Win and overthrow his regime. Though their programme was hazy, it made much of encouraging private enterprise to offset the stagnation in the economy and reduce soaring prices and uqemployment.

The convicted officers were sentenced to death in January last year and in the aftermath the hard-line members of the ruling Socialist Party persuaded Ne Win to weed out from positions of power those whom they considered liberals. Their campaign was all too successful. When the Third Party Congress met it astoundingly elected General San Yu, the party's secretary-general, and a nondescript figure, as its leader—which amounted to a sharp rebuff to Ne Win.

He set out to retrieve the situation, first by ordering a recount, then by purging the extremists, and finally by ordering elections to a new People's Assembly which prepared the way for the recent cabinet changes. Many of the more important arrests took place while he was out of the country, either in China or on his annual visit to Britain. The fact that he felt able to be away at such a crucial time is a sign that he is still able to crack the whip even though he is probably over 70 and suffering from a heart disease. One factor working in his favour is that though morale in the army is low, most units are preoccupied with the insurgency which makes the organisation of a coup difficult.

The only straw in the wind of a revival of the "pragmatic" economic policies pressed by the World Bank was a leading article in a government paper in January implying that foreign investment to develop the pulp and paper industry would be welcome.

There has been no confirmation of this or that Burma is seriously interested in attracting foreign capital or expertise to develop its immense mineral, forest or agricultural resources. Other reforms proposed by the World Bank—a reorganisation of the tax structure, putting state enterprises on a commercial basis and improving the distribution system—have all moved slowly if at all. A package of regulations presented last year as a shift to private enterprise has turned out to be little more than a codification of the existing roles of the public and private sector. The most lively sector of the economy has been the black market. Otherwise the political turmoil has exacerbated economic decline.

When donor members of the aid consortium—including the U.S., Britain, and Japan—met in February they took the view that further funds would depend on the government's readiness to put through policy changes.

How bad the situation is emerged in one of the few public eye-openers which the Burmese leaders have permitted on the state of the country. At the Third Party Congress General San Yu berated many party members for corruption, lethargy and weakness of purpose before listing a series of ills from poor sugar mill production, to the pirating of spare parts from government trucks.

The changes to the Government seem likely to freeze the status quo while Ne Win lives. No heir apparent is in sight and the President is not the man to risk his neck by building up a successor. The Communist insurgents depend on China for their supplies which is both a help—but also a major constraint as Peking is an anxious as Ne Win for cordial relations between Governments.

General Ne Win, the Burmese President.

AMERICAN NEWS

ITT executives charged over evidence on Chile

BY STEWART FLEMING NEW YORK, March 21.

TWO EXECUTIVES of International Telephone and Telegraph (ITT) have been charged with perjury in connection with evidence they gave to a Senate Sub-committee about the company's involvement in efforts to stop Dr. Salvador Allende becoming President of Chile in 1970.

The charges were filed against Mr. Edward Gerrity, a senior Vice-President of ITT and a close associate of Mr. Harold S. Geneen the man who headed the company until last year, and Mr. Robert Berrellez, a regional manager.

The Justice Department said yesterday that no other actions arising from its investigations of the hearings were contemplated. This statement is being interpreted as meaning that no charges are to be brought against Mr. Geneen himself. The charges against the other two executives were filed just before the statute of limitations on the alleged offences was due to run out.

The allegations arise out of evidence given to hearings in March and April, 1973, of a Senate Sub-committee headed by Senator Frank Church into ITT and CIA involvement in the 1970 elections in Chile.

A subsequent investigation in 1975 by the Senate Intelligence Committee also headed by Mr. Church suggested that both organisations were opposed to Dr. Allende's election and that they had co-operated to some extent in their campaign against him.

Mr. Gerrity was charged with having perjured himself when he said that no money was given by ITT to Sr. Arturo Matte, a campaign official for one of Dr. Allende's opponents and when he denied that money spent by ITT had been intended to try and prevent the Chilean Congress from ratifying Dr. Allende's election.

Commenting on the allegations, ITT said yesterday that the company was confident that the two executives would continue to serve as "valued executives of ITT," adding that the company was confident that they would be found innocent.

Investment by U.S. welcome in Brazil

By Diana Smith

RIO DE JANEIRO, March 20.

A REPORT to the U.S. State Department made by the outgoing U.S. Ambassador to Brazil, Mr. John Crimmins, now released publicly, stresses that despite pressures on the Brazilian Government by national companies to limit foreign investment, most U.S. enterprises are planning to expand here.

Mr. Crimmins adds that despite the reduction in GNP growth rate (from 9.2 per cent. in 1976 to just over 5 per cent. in 1977) caused by Government anti-inflation policies, Brazil's economic situation remains good and foreign investors are optimistic about future prospects.

Mr. Crimmins reflects the general view that the Brazilian Government albeit favourable to foreign investment, is becoming increasingly selective with incentives in areas which it considers already sufficiently developed.

Apart from specific areas reserved for national enterprise, like oil, mining, the merchant navy and the media (although the first two are open to limited joint ventures) the report described Brazil as a "highly attractive country for foreign investment because of its rapid economic growth and brilliant prospects, availability of skilled, disciplined labour, an adequate transport and communication system and an abundance of companies able to produce components."

Of a total $9.624bn. of foreign investments in Brazil up to June, 1977, the report says, $6.8bn. were in foreign currency and $3bn. in reinvested profit. Money returned to the U.S. in the form of profits and dividends or repatriation of invested capital totalled $161.9m. in 1976 compared with $92.3m. in 1974.

Death penalty row looms in NY

BY JOHN WYLES NEW YORK, March 21.

THE RESTORATION of the death penalty in New York State is set to become a major political issue in elections later this year following the approval of a Capital Punishment Bill by the State Assembly last night.

Since similar legislation has been approved by the State Senate, all eyes now focus on Governor Hugh Carey who seems to be courting unpopularity in advance of his campaign for re-election in November by pledging to veto the legislation.

The Governor has ten days in which to stop the Bill going on the statute book but capital punishment supporters will then seek to have the veto overridden by a two-thirds majority of both houses of the legislature. Since the legislators have no deadline in which to try to override the veto, Governor Carey's Republican opponents, who control the Senate, are expected to keep the controversy warm and to revive the issue closer to election day.

Supporters of the legislation claim that the strength of feeling among their constituents is such that their own personal feelings on the issue are irrelevant. Yesterday's debate featured a discussion on the philosopher Edward Burke's writings on the need for legislators to act on their own judgments.

One legislator warned that "blood will be in this chamber, on our hands," while another declared "if this is a bloody Bill, out there is a bloody scene."

The final vote was 95 to 51 in favour of the legislation which indicated that the two thirds majority to override a Government's veto was one vote there—the Senate was one vote short of the necessary majority. However, supporters of the death penalty claim that public pressure will yield the extra votes which are needed.

New York State's existing law on capital punishment which applied only to the murderers of policemen and prison officers was declared unconstitutional last September by the State's Court of Appeals because it had no provision for juries to take mitigating circumstances into account.

The Bill passed yesterday would permit executions in certain categories of "intentional murders." During the debate it was claimed that more than 100 convicted murderers could be covered by the Bill's provisions each year.

Imposition of the penalty would be separated from the original trial proceedings and would involve a jury deciding whether the sentence would be warranted by the circumstances of the crime.

Citibank sees slow growth

NEW YORK, March 21.

U.S. ECONOMIC growth in the first quarter of 1978 will probably slip below the relatively sluggish pace of the fourth quarter of 1977, according to Citibank's Economic Week publication.

Industrial production rose by 0.5 per cent. in February following January's 0.8 per cent. decline. The rebound, the publication says, is reassuring evidence that the U.S. economy has not lost its forward momentum. However, Economic Week says, it will take a sharp jump in March to pull growth up even to the sluggish pace of the fourth quarter of 1977.

With U.S. car inventories currently fairly heavy and the annual selling rate running in the 8-8.5m. unit range for domestic makes, Economic Week says that it is unrealistic to expect car production to provide much push to overall production in 1978.

AP-DJ

Canadians warned on pay

BY VICTOR MACKIE OTTAWA, March 21.

THE ECONOMIC problems in Canada will grow worse if its people seek extra pay increases to offset higher prices for imported goods, Mr. Gerald Bouey, Governor of the Bank of Canada, said to-day in his 1977 annual report.

Higher prices in Canada have resulted from recent devaluations of the dollar. The devaluation was necessary, said Mr. Bouey, to offset the impact of domestic cost increases in international trade.

Mr. Bouey said the fall of the Canadian dollar—from about U.S.$1.08 in November, 1976 to U.S.$0.89 this month—is an indication that the past is catching up on the Canadians.

He said Canadian costs were too high in the past compared with the country's competitors and some adjustment was required.

However, with the fall of the dollar, foreign-produced goods have become more expensive to Canadians, pushing up the inflation rate.

"There may be a disposition on the part of some Canadians to believe that they should be protected from the higher costs of imports by receiving extra increases in their incomes, but that would exacerbate rather than solve our economic problem," said the Governor.

Last week, following the publication of Canadian consumer price statistics, which revealed that imported food prices were a major contributor to inflation, opposition leader, Mr. Joe Clark, asked if the Government was planning action to help lower-income people. The higher prices would hit the poor the hardest, he said.

Mr. Jean Chretien, the Finance Minister, warned that to protect the public against all inflationary increases would be "a recipe for disaster."

Mr. Bouey, commenting on Canada's economic situation, said it was "virtually inevitable" that sooner or later the dollar would fall because of costs and production trends in the U.S. and Canada.

Committee moves on gas price

WASHINGTON, March 21.

U.S. HOUSE of Representatives Democrats, who have agreed tentatively to support gradual decontrol of natural gas prices, have presented their position to Republicans on the House natural gas conference committee. There were no votes among the House conferees, but the group planned to meet later to-day to make a counter offer to Senate conferees.

Last Friday, House Democratic conferees agreed tentatively on a plan to gradually decontrol gas prices in a less generous manner than agreed previously by the Senate group.

The Senate had agreed to phase out price controls by 1985, while the House Democratic group agreed to phase out the controls with additional safeguards to prevent windfall profits.

Reuter

U.S. COMPANY NEWS

Sears, Roebuck profits decline in fourth quarter; Curtiss-Wright to comply with Utah bid rules; Green Giant ahead—Page 28

NEW YORK CITY COUNCIL

No. 2 job takes on new significance

BY CAROLE KORZENIOWSKY IN NEW YORK

THE NEW YORK City Council President, Miss Carol Bellamy has unquestionably placed herself on the political map. People are already talking about her future in terms of the mayoralty, the Governorship and even the Presidency. Carol Bellamy does not reject any of the possibilities. It is clear however that for at least the next four years she plans to take full advantage of the Presidency of New York City Council, an office which is beginning to emerge in many people's estimation as the No. 2 position in the City after the Mayoralty to which she would automatically succeed were the present Mayor unable to complete his term.

While her predecessors in office have been more often seen than heard and seldom remembered for any political impact Ms. Bellamy has already demonstrated her intention and capability of exploiting to the full the variety of powers allocated to the office under a new City charter. Uppermost among these is her seat on the Board of Estimation, the City body which determines what New York City needs to spend money on, and to whom the money should go, both enormously sensitive issues in these times of fiscal crisis. She, the Mayor and Comptroller each have an equal number of votes except when the Mayor submits his annual budget at which time she exercises a weighted vote of over 22 per cent.—a position which gives her substantial leverage.

Also as the title suggests the Council President presides over the City Council which while not inspiring a great deal of admiration in the past is now being guided through a number of changes for which Carol Bellamy has campaigned. The changes are in the direction of a more rigorous and professional assumption of the Council's responsibility to oversee and co-ordinate all aspects of City government. A new feature of the charter gives the Council President "oversight" authority to provide management and productivity reviews of the City's administrative agencies.

This is the stuff of to-day's urban politics. In Carol Bellamy's words: "The boring, nitty-gritty work which isn't terribly sexy but yields results."

At present one can only evaluate the efforts as the results are still forthcoming. She is clearly trying hard to shape a city government into one which is responsive to the many victims of urban decline, finds it "often terribly frustrating and sometimes painful," and can't succeed single-handed. So far New Yorkers are with her. She is in great demand for guest appearances at community meetings.

Thirty-five-year-old Ms Carol Bellamy is having a considerable impact on her new office of President of New York City Council. She is determined to extend the powers of this relatively unknown post to the full.

Her appeal is not only that at 35 she is young, attractive and single, all of which help of course with the media. More important, she has managed in a very short time to build a reputation for honesty and sincerity, which is a considerable premium in these cynical post-Watergate days. Add to this an ability to reduce complicated fiscal issues to the bare essentials and to relate them to ordinary people's lives, and finally a sense of humour and an asset of utmost importance in city politics and one gets an idea of the reason for her widespread popularity.

Her own politics are a curious mix of two radically different periods in America. As a "child of the 60s," a tag which she gave herself during her campaign, she allies herself with a broad spectrum of human and civil rights movements, and sees Government as playing an active role in bringing about reform and reversing inequalities. However, having received her political training in the hard times of the 1970s, she is painfully aware of the limits of the Governmental purse. The result is a vision of a Government system incorporating City, State and Federal levels in highly integrated approaches to the nation's problems such as urban decay and unemployment. This macro economic approach recognises the importance of private business and the need, through Government policy, to secure its cooperation in addressing urban problems.

Ms Bellamy arrived in politics in 1972 fresh from a career in law. Before law school she did a stint in the Peace Corps in Guatemala which decided her on a career in government. After graduation she worked for a while as a corporate lawyer in a large Wall Street law firm and then left to form her own firm, the first such all woman enterprise in this country. During this time she became actively involved in anti-war politics and subsequently in the reform wing of the Democratic Party. In 1972 she campaigned for State Senator, won, and hasn't lost a campaign since.

During her terms in the State Senate she became a self-educated fiscal expert specialising in New York City's financial crisis. She chaired the Senate Democratic task force on New York City charged with monitoring the performance of the Municipal Assistance Corporation which was formed to rescue the City from bankruptcy.

Despite what many describe as "workaholic" performance in the State Senate and her active role in reform politics Miss Bellamy was virtually unknown to most New York City voters before the campaign for Council Presidency last year. It is a wonder therefore that she managed to beat four other contenders for the Democratic Party candidacy, all of whom were better known than she and one of whom, the incumbent Paul O'Dwyer was a well loved liberal legend.

It would seem that New Yorkers endorsed Ms Bellamy's campaign statement that the City could no longer afford a ceremonial City Council President in the second highest elected office. The largest contributing factor to her success however was the wide spread backing of the media. She was supported to the hilt by all three of the major dailies plus assorted other papers, and she continues to enjoy favourable and relatively extensive coverage despite the fact that the new mayoral administration's honeymoon period with the media is now over.

But perhaps the most interesting element in her victory is a phenomenon which has been dubbed the "Bella backlash" Mrs. Bella Abzug, a dramatic and sometimes abrasive former Congresswoman who was running for Mayor in the same primary election put a great many Democrats in the peculiar position of supporting her platform but not her style. Many see-sawed between Edward Koch and Bella, and finally voted for the triumphant Koch. It was then with immense relief that they were able to choose a woman City Council President who was not only Liberal but also looked and acted like the girl next door.

WORLD TRADE NEWS

Comecon payments deficit hits investment and trade

BY ANTHONY ROBINSON

THE PRIORITY given by Comecon countries to reducing their substantial payments deficits at the expense of growth and investment is reflected in a considerable slowdown in East-West trade last year, according to the latest United Nations Economic Survey of Europe report.

The overall volume of East-West trade fell by around 3 per cent. last year. Imports from the West dropped by 5 per cent. over the first nine months while exports to the West rose by 3 per cent.

The depressed state of most Western economies prevented the much greater expansion in East bloc exports which was planned but even this modest rise, which compares with a 14 per cent. rise in exports to the West in 1976, contributed to a reduction in the estimated overall trade deficit with the West to $5bn. compared to a 1976 deficit of $7.4bn.

The deficit was financed by net new borrowing of an equivalent amount from the West and is reflected in a net debt position of between $37-40bn. compared with an estimated $32-35bn. in 1977.

East European countries made a substantial effort last year to increase their trade with developing countries and stepped up their trade within the Comecon area in order to mitigate the depressing effects of the slowdown in East West trade.

This is reflected in a 28 per cent. rise in exports to the Third World while the volume of intra-Comecon trade rose by 8 per cent. over the first nine months of last year compared with an increase of only 5.4 per cent. in 1976.

The report makes clear that the Soviet Union, Poland, Hungary and Bulgaria all aim to reduce their trade deficits still further this year, implying a continued effort to raise exports faster than imports.

But given the 5 per cent. decline in imports from the West last year and higher expected grain imports by the Soviet Union, Poland and Czechoslovakia, the report notes scope for a modest recovery in two way trade in 1978, particularly as the overall level of economic activity in the Comecon area is planned to expand by 4.7 per cent. this year.

Romania has the most ambitious growth target for foreign trade. It plans a growth of 10.9 per cent. in 1978 while the Soviet Union, the GDR and Bulgaria plan for a rise of between 10-11.5 per cent. with Czechoslovakia and Poland planning the slowest trade growth.

Although the report declines to give a figure for the likely growth in East West trade this year it estimates the intra-Comecon trade is likely to rise by around 7 per cent with a similar increase in the volume of trade with developing countries.

Soviet over-supply fear

FINANCIAL TIMES REPORTER

ANGLO-SOVIET COMPENSATION deals should have more flexibility, Mr. Alan Williams, Minister of State for Industry, told a Soviet trade delegation to the U.K. Levels of British trade with the Soviet Union were unsatisfactory, he added.

Speaking at a conference of the Confederation of British Industry in London, he said Russian insistence on exchanging certain kinds of product might aggravate existing over-supply.

There were many items the West would like to buy from the U.S.S.R., but not all were always offered in compensation deals. This was a real threat to the development of Anglo-Soviet trade.

Mr. Williams suggested that Russian insistence on supplying certain bulk petro-chemicals like ethylene, propylene and benzene in compensation deals is threatening to create new over-supply.

Greater imbalance for Hungary

BY PAUL LENDVAI VIENNA, March 21.

HUNGARY'S balance-of-trade deficit last year was partly due to the further deterioration of the terms of trade and to a higher-than-expected imbalance in exchanges with the West.

While import prices were up last year by 5.2 per cent., export prices rose only by 3.8 per cent. This was revealed recently by Dr. Jozsef Biro, the Hungarian Foreign Trade Minister.

According to a detailed account in Figyelo, the economic weekly, the Minister said that the terms of trade with regard to the country's western trade deteriorated last year by 4 per cent. and are likely to worsen by a further 2 per cent. this year.

He pointed out that Hungary received 24 per cent. less for its wheat and 28 per cent. less for its maize sold abroad, while the imported coffee cost 85 per cent. more, cocoa 58 per cent. and cotton 49 per cent. more than a year earlier.

For the first time, Minister Biro also revealed the price adjustments in trade with the Comecon partners as recorded in the 1974-77 period. While the prices of Hungarian exports to the other Comecon countries rose only 20 per cent., the price level of imports jumped by 38 per cent. This was primarily due to the jump in prices paid for imported Soviet fuels.

Trade with the developed western countries continued to expand last year. Thus Hungarian exports were up by 12.3 per cent. while imports rose by 20.7 per cent. In all, the industrialised western countries accounted for 29.3 per cent. of Hungary's aggregate imports and 39.8 per cent. of its total imports.

Trade with the Comecon countries, which dominate Hungarian external trade, expanded by 13 to 14 per cent. last year.

Syria dam enters last phase

By Louis Fares

DAMASCUS, March 21.

SYRIAN PRESIDENT Hafez Assad has inaugurated the second and last phase of the dam on the Euphrates River and the hydroelectric station at Tabqa in north-eastern Syria.

The project was started in March, 1968, after several years' negotiations during which Syria contacted foreign organisations including the U.K. and West Germany, with a view to implementing the project. But none of the negotiations materialised until 1976, when the Soviet Union signed a protocol with Syria offering a Roubles 120m. loan at a 2.5 per cent. rate of interest, to be reimbursed on 12 yearly equal instalments effective one year after the completion of the project. Payment can be made through export of Syrian goods to the USSR or through any convertible currency.

The project, the biggest Soviet plan in the Middle East after the Aswan Dam, costs about $400m. over 10 years.

Jordan to spend $40m. on railway projects

BY RAMI G. KHOURI AMMAN, March 21.

JORDAN IS embarking on a $40m. plan to upgrade and expand its domestic railway system. According to Jordan's Director General of Railways, tenders will be issued within the next few months.

A 25 km stretch of narrow-gauge line between the phosphate deposits at Hasa and Menzil, in the middle of the country will be rehabilitated, and a new 2 km line will be built to connect this to the main line that runs from Hasa to the southern port of Aqaba.

Jordan will also purchase 55 all-purpose cargo wagons to haul timber, grain and other goods from Aqaba to Amman.

A contract is to be awarded soon for the purchase of 210 new hopper wagons to carry phosphate rock from Hasa and Menzil to Aqaba. Korean, French and Belgian companies are expected to get most consideration because of their lower bids.

Other major rail schemes in Jordan that may be given the green light soon include building a 200 km line from the southern end of the Dead Sea to Aqaba, primarily to haul potash that will be produced at the Dead Sea potash extraction project, and rehabilitating a further 150 km narrow-gauge line between Hasa and Amman.

These domestic rail projects are being carried out independently of the current plan to rebuild the entire Hijaz railway from Damascus in Syria, to Medina in Saudi Arabia, in standard-gauge track instead of the old narrow-gauge one.

The Hijaz project's tripartite Saudi-Syrian-Jordanian technical committee meets in Riyadh on March 30 to come up with a short list of about 10 international consultants, who will be invited to submit their bids to carry out the full technical and economic feasibility study for rebuilding the entire 1,302 km line.

Japanese companies have continued their recent heavy penetration of the Jordanian market with the signing of a contract here yesterday for Nippon Electric to provide and instal Jordan's second ground satellite station.

EEC warning on shoe surplus

BRUSSELS, March 21.

REPRESENTATIVES OF South Korea and Hong Kong have been called to EEC headquarters and warned not to try selling in western Europe the surplus of shoes they have on hand after promising to limit shipments to the U.S. and other countries.

Taiwan, which is also involved, has no official representation in Brussels but will get the message, the European Commission said.

The three areas are estimated to have 50m. to 100m. surplus pairs this year after restrictions on imports into the U.S., Canada, Australia and other countries. Last year the EEC imported 300m. pairs compared with 231m. in 1976.

AP-DJ

ICI is top U.K. exporter

ICI HAS regained its position as the U.K.'s largest exporter, beating British Leyland into second place. Figures issued this week by Leyland showed that the value of the company's exports in 1977 was £884m., compared with £897m. in 1976, while ICI's exports rose from £832m. to £886m.

As the table shows, ICI overtook Leyland once before, in 1974, but in the subsequent two years Leyland regained the top place.

In terms of net exports, that is exports minus imports, Leyland still ranks top. In 1977 ICI's direct imports amounted to £325m., so that its net contribution to the balance of payments was £561m. British Leyland's direct imports last year amounted to about £50m.

VALUE OF DIRECT EXPORTS

	ICI £m.	Leyland £m.
1977	886	884
1976	832	897
1975	586	589
1974	434	485
1973	348	424
1972	291	355
1971	283	414

* Calendar year. † Calendar year for 1977 and 1974, previous years ending September.

Greek shippers in Europe plea

By Our Own Correspondent

ATHENS, March 21.

THE UNION of Greek Shipowners has emphasised the need for Greece's entry into the EEC as soon as possible without transitional periods.

According to the Greek shipowners, it was necessary so that the country's shipping would maintain its competitiveness within the EEC area. It could be achieved only if Greece were to join the Community as quickly as possible.

In a letter last week to the Greek minister in charge of EEC affairs, Mr. George Kontogeorgis, the Union of Greek Shipowners said the sooner Greece joined the Community the better, since Greece would have an equal say in common shipping policy.

Greek shipowners go into conference on Thursday to discuss Japan's rejection of their bid to get a two-year delay in paying for 2.6m. tons or more than 130 ships ordered from Japanese shipyards.

Car makers warned off growth

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

IF SEVERAL European motor companies do not scrap their plans for expanding car output there will be a further shake-out in the industry over the next few years.

That is one of the conclusions of a new report from Euro-Economies, the Paris-based research organisation, which predicts that European production capability may rise to between 13.25 and 13.5m. units by 1983-85, against a market of no more than 12.7m. cars.

Production last year, according to the report, came to 11.04m. cars in the eight Western European manufacturing countries, some 2 per cent. below the 1973 peak of 11.25m. units.

EuroEconomies believes that output, which hit record levels in France and West Germany last year, will fall this year to 10.77m. units and will only begin to recover again in the early 1980s.

Imports, the report says, are rising rapidly, with the Japanese market share moving from 0.6 per cent. in 1968 to just over 6 per cent. in 1977.

Total imports have risen from 175,000 units in 1970, to 944,000 last year. If importers are not restricted by political measures, imports will rise to 1.1m. in 1980, and could go up to 1.7m. by 1985.

At the same time, car exports from Western Europe are now stagnating.

West German vehicle exports down

BY GUY HAWTIN FRANKFURT, March 21.

DEMAND for West German commercial vehicles is still visibly sagging. Production, largely owing to a hefty decline in export demand, fell by 7 per cent. in February compared with the same month of 1977.

Export volumes in February totalled some 26,000 vehicles compared with the previous year's figure of 179,231 units. This was a result of a large decline in commercial vehicle exports which fell back by a fifth in the first two months of the current year from 1977's 33,488 units to 26,300 units.

In the car and estate vehicle sector, production continued upwards in February although the growth rate appears to have tailed off somewhat.

The figures produced by the Verband Der Automobilindustrie (VDA), the motor industry association, showed that commercial vehicle output in February dropped back from 26,343 units in the comparable month of 1977 to 24,800 units.

Saudis buy no-alcohol beer

By Yoko Shibata TOKYO, March 21.

SHONAN MISSION Bottling, the Yokohama-based soft drinks manufacturer, is to export non-alcoholic beer to Saudi Arabia, where alcohol is prohibited. The first 16,800 dozen 340-millilitre bottles are to be shipped at the end of next month, then about 120,000 dozen are to be exported each month.

Shonan Mission Bottling joined a Middle East trade mission organised by Yokohama City last year and has been holding business talks with Saudi Arabia and Kuwait.

With Kuwait, negotiations are in progress on exporting a non-alcoholic beer manufacturing plant worth Y120m., with enriched non-alcohol-beer liquid.

The company says "non-alcoholic" beer contains 0.5 per cent. of alcohol to provide flavour. It has conducted market research in Middle East countries using samples of non-alcoholic beers and discovered that demand for alcohol has spread among Middle East people despite official prohibition.

In Saudi Arabia, Swiss-made non-alcoholic beer has been introduced. No sales have been made in Kuwait but a local trading company is applying to the Government for permission to import Shonan Bottling beer.

A contract may be signed shortly. According to the application to the Kuwait Government, Shonan Mission Bottling will supply a plant with a production capacity of 7,200 bottles an hour, also technical guidance.

Kenya paper mill expands

By John Worrall

NAIROBI, March 21.

THE BIG Panafrican paper mills at Webuye, Kenya, are to produce newsprint for the local market and for export as part of a £7m. expansion programme.

Kenya's consumption of newsprint is about 6,000 tons a year, which, Panafrican, a £20m. concern, says it can meet within two years. It will save Kenya about £1m. a year in foreign exchange. The company hopes to export newsprint to neighbouring countries.

N. Zealand seeks aid against Japan

New Zealand will ask the United States to help smooth out trade problems between New Zealand and Japan during Vice President Walter Mondale's visit to Wellington next month, Prime Minister Robert Muldoon said in Wellington.

Mr. Muldoon, who has been bitterly critical of what he called "Japanese economic imperialism," said America's close relationship with Japan could help solve New Zealand's problems with the Japanese.

Aegean oil contract

Two Fluor Corporation divisions have received contracts worth $120m. from EPE for engineering and construction of facilities to develop the Prinos oil field in the northern Aegean. Reuter reports from Irvine, California.

Italian joint venture

Italian, Swiss and U.S. interests are to build a chemical factory at Termoli, in the Campobasso province south of Rome, AP-DJ reports from Rome. Half the capital for the L12bn. plant is to be provided by the Development Bank for Southern Italy and the State's EFIM investment group.

Philippine ore plan

Potential Brazilian ore suppliers for an integrated steel plant to be built in Shanghai with Japanese assistance have proposed to use a sintering plant in southern Philippines as a temporary ore storage and transhipment point, AP-DJ reports from Hong Kong.

Reactors for S. Korea

South Korea has decided to order American nuclear reactors, from Westinghouse, for the projected third and fourth nuclear power plants at Kori, 220 miles south of Seoul, as originally planned, AP-DJ reports from Seoul.

Hong Kong plant

The Hong Kong and China Gas Company has signed a contract with the Australian office of Humphreys and Glasgow for the design, supply and construction of two cyclic naphtha reforming plants in Hong Kong.

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I can't get a job without experience...but I can't get experience without a job...

Vicious, isn't it?

All over Britain there are thousands of unemployed young people trapped in this vicious circle.

In some areas it's as many as one in three.

They are not work-shy. In many cases they have tried for dozens of jobs, only to find that, without experience or skills, they haven't a hope.

Yet we know for certain that if they could get some experience of working for a living or acquire a skill, their prospects would be much brighter.

Which is precisely why we have created the Youth Opportunities Programme.

Youth Opportunities Programme.

The Youth Opportunities Programme is a new plan to help employers help young people, even if they can't offer any permanent jobs.

It's based on the best elements of existing schemes that have succeeded in helping as many as 8 out of 10 participants into jobs. The idea is extremely simple: If you can take in young people for up to six months, introducing them to the benefits and disciplines of work, we will pay them £19.50 a week.

And there are no National Insurance contributions or tax returns to worry about.

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The alternative.

The only alternative is a growing number of young people who feel discarded by 'the system' and a smaller pool of trained and enthusiastic people for industry to draw upon. And, if nothing's done, the inescapable truth is that by the end of this year the situation will be even worse.

Which is why the Programme is backed by the government, the CBI and the TUC.

How it works.

We have offices all over the country and our staff are eager to give employers every detail of the scheme.

At the same time, these offices keep in close touch with all the bodies concerned with unemployed young people in your area.

Which makes them uniquely qualified to help you help young people.

If you're interested in participating in the Programme, our staff will help you plan an introduction to work for young people that will benefit them without disturbing the normal running of your business.

You are then free to choose the young men and women you feel have the most to offer – and whose future will be brighter as a result of training and experience under your guidance.

Then it's up to the Youth Opportunities Programme to make sure that your involvement is as trouble-free and rewarding as possible. Give a young person a chance, and we will do the rest.

What to do.

Get the full story from Roger Panton, Manpower Services Commission, Department FT2, Selkirk House, 166 High Holborn, London WC1V 6PF. Tel. 01-836 1213.

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YOUTH OPPORTUNITIES PROGRAMME

MSC Manpower Services Commission Special Programmes

Matthew Hall wins £25m. rig contract

BY RAY DAFTER, ENERGY CORRESPONDENT

A £25m. contract to convert a semi-submersible drilling rig to a floating production platform for British Petroleum's Buchan Field in the North Sea has been won by Matthew Hall Engineering.

The rig Drillmaster is to be converted so that it can cope with a peak production rate of 70,000 barrels a day. Matthew Hall said yesterday that it was believed to be only the second conversion of its type in the world and the first to be designed and engineered by a British contractor.

The contract involves project management, engineering design, construction management, the tow-out to the field, installation work and assistance with offshore commissioning of the facilities.

BP and its partners hope that the field will be on stream in the autumn of next year. The production scheme is costing about £130m. and it is expected that in the first four years 50m. barrels of oil—valued at about £360m. at present prices—will be produced.

Matthew Hall said that it saw the contract as a significant step in its own development.

Besides BP, the Buchan group comprises: Transworld Petroleum (U.K.); Transworld Petroleum Corporation; St. Joe Petroleum (U.K.); City Petroleum; CanDel Petroleum (U.K.); CCP North Sea Associates; Gas and Oil Acreage; Charterhall Oil; and Lochiel Exploration (U.K.).

● Pan Ocean Oil Corporation (North Sea), a wholly-owned subsidiary of Marathon Oil, has confirmed that it is negotiating to buy the interests of Ashland Oil and Canadian Ashland Oil in the Brae Field and other areas held under North Sea production licences P108 and P222.

If the negotiations—first reported in the Financial Times on March 3—prove successful, Pan Ocean could increase its stake in the Brae Field by 7.7 per cent., bringing its total shareholding to 45.7 per cent.

It is not clear at this stage whether British National Oil Corporation will want to be involved in the deal, however. The Corporation, which already holds a 20 per cent. stake in Brae, is said to be involved in talks with Pan Ocean and Ashland concerning the proposed transfer of interests.

The Department of Energy is expected to publish shortly new rules regarding such changes in offshore licences. It is likely that companies will be told that in future they must give the corporation an option to bid for part or all of the licence interest on offer.

Pan Ocean said that any agreement would be subject to necessary approvals of the Department of Energy and of partners. These include: Bow Valley Exploration, Louisiana Land and Exploration, Saga Petroleum, Siebens Oil and Gas, and Sunningdale Oils (a wholly-owned subsidiary of Kerr-McGee Corporation).

Claims scheme rejected

BY JOHN MOORE

LLOYD'S OF London has rejected a compromise proposal by Instituto de Resseguros do *Brasil*, a Brazilian re-insurance group, which could have settled out of court its $13m. claims row with Lloyd's syndicate F. H. Sasse.

The proposal was made at a meeting on March 10 between the Brazilian group and the chairman of Lloyd's.

It is understood that Instituto de Resseguros suggested that a member of the committee of Lloyd's should study the 350-page report prepared by loss adjuster Graham Miller on the claims and the placing of the business.

It was further suggested that, if in the opinion of this committee member there were grounds for a settlement within the Lloyd's community, the claims might be split equally between IRB, the Sasse syndicate, Austen and Balcon (agents of IRB), Brentnall Beard (the placing broker) and Lloyd's.

Yesterday Elborne Mitchell, solicitors for the Brazilian group, said that "the IRB proposal has not met with a positive response from the chairman of Lloyd's. It would appear that if the dispute is to be resolved before trial a resolution will have to emerge in the ordinary course of litigation."

The disputed claims arise out of 1,300 insurance contracts arranged through the Sasse syndicate's Florida underwriting agents, Den-Har Underwriters. The risks were subsequently reinsured with Instituto de Resseguros.

Claims to date amount to nearly $13m., but so far the Brazilian group has only paid $500,000.

The Sasse syndicate was suspended by Lloyd's last December until the dispute is resolved. Last month the syndicate issued a writ through Mr. F. H. Sasse against IRB.

Plan to fight shoplifting menace

By James McDonald

THE Government should recognise that theft from shops was a national problem costing the public £500m. a year and adding 2 per cent. to the cost of all retail sales, Baroness Phillips, director of the Association for the Prevention of Theft from Shops, said in London yesterday.

There should be a Government campaign *to advertise* the problem of shoplifting, she told the annual meeting of the association. She suggested a campaign to recruit the public, who carried the burden of such crime in the form of higher costs, to help stop it.

Women must make pensions decision

BY ERIC SHORT

MARRIED WOMEN and widows paying the reduced rate of National Insurance contributions were warned yesterday by Mr. Stanley Orme, the Social Security Minister, that they had only two weeks to decide whether they wished to start building up rights to an earnings-related pension from April 6, when the State pension scheme starts.

Under the old State system, which provided only a basic flat rate pension, married women had the option of paying reduced contributions and relying on their husband's contribution record to ensure a basic pension when they retired.

This option is no longer available to married women coming into the State scheme, but women who paid reduced contributions under the old system can continue to do so. But they will have no entitlement to second tier earnings-related pensions.

Women can change from paying reduced contributions to paying the full contributions, but not the reverse. This only takes effect at the beginning of a tax year.

So Mr. Orme is advising married women and widows to notify their social security office in time if they wish to switch. Otherwise, they will have to wait until April next year before *making the change*.

Mr. Orme also pointed out that women not working should safeguard their home responsibility entitlement by notifying their social security office of any intention to pay full contributions when they resume full-time work.

Another executive leaves Leyland

ANOTHER TOP executive in British Leyland's cars division is leaving following the reorganisation of the company into smaller units.

Mr. Jerry Clancy, who became the head of Leyland Cars' service and parts division 16 months ago, is leaving at the end of March.

His departure ends a six-year career with Leyland which began in the truck and bus division as director of finance, planning and control. Mr. Clancy, a 43-year-old Irishman, who was hired from Ford's finance department, was offered a new higher appointment in Leyland but preferred to leave.

Ford wins £1.3m. Polish order

FORD HAS won a £1.3m. order from Poland for the supply of *500 Escort Sports in the face of* competition from France and Western Germany.

All the vehicles will be manufactured at Halewood, Merseyside, and delivery will be completed by December. The cars are for sale to the public in Poland.

Civil Servants offered early retirement cash

BY DAVID CHURCHILL

SENIOR CIVIL Servants are being offered tax-free lumpsum payments of up to twice their salary, plus a full pension, if they agree to take early retirement.

The deal has been offered to help smooth out the retirement difficulties facing the Civil Service over the next few years when four out of every ten top civil servants are due to retire.

By retiring some top management early Whitehall hopes to avoid losing too many experienced staff all in one go, which would lead to an inevitable drop in efficiency.

A 57-year-old senior civil servant, for example, who earns £10,000 a year would receive a lump sum £20,000 payment plus a £5,000 annual index-linked pension for life.

This deal is made up of three parts: First, civil servants asked to retire "in the public interest" are offered compensation of up to six months' salary.

Second, they are eligible for their normal lump sum payment of one and a-half times salary they would have received at the usual retirement age of 60.

And third, they would receive a monthly compensation payment equivalent to their retirement pension. This would be replaced at age 60 by the normal pension.

Civil servants asked to retire early would also have their pensionable service, on which the final pension is calculated, boosted by up to 6.66 years.

No exact figures of the numbers of senior civil servants being offered early retirement are available, as these are decided by individual departments.

But total early retirement payments for all civil servants who retired "in the public interest" in 1976, the last year figures are available, show that 1,213 people received total payments of £7.2m.

How the Civil Service is beating the battle of the bulge: Page 12

Adult students to debate grants call

DELEGATES TO the national conference of the Open University Students' Association are to debate the principles and strategies involved in launching a national campaign for mandatory grants for all part-time students.

The conference is to be held on April 7-9 at Leeds University.

The basic principles behind the campaign are that the opportunity to learn and develop throughout life should be available to all as a right, not a privilege.

To this end, all adults should be entitled to adequate periods of full-time or part-time State-supported study and to periods of paid study leave.

Furthermore, this support should not be means-tested.

Mr. Norman Parkin, president of the association, said that the alternative was the progressive closure of the Open University to all but a privileged few.

Tower history gallery opens

THE NEW HISTORY gallery at the Tower of London opens to-day.

The gallery has been built on the site of the long-vanished medieval great hall in the moat of the White Tower.

An exhibition explains the national significance of the Tower and the personalities and events associated with it and its architectural development in relation to the many roles it has served.

The Roman's riverside wall, discovered during excavation of the foundations, has been incorporated into the gallery.

Ulster jobs

By Our Belfast Correspondent

ABOUT 4,000 new jobs will be provided in education and health in Ulster over the next year, Lord Melchett, Minister of State at the Northern Ireland Office, said yesterday.

WHITE PAPER SETS OUT NEED FOR LONG-TERM INVESTMENTS

Separate North Sea oil fund plan rejected

BY DAVID FREUD

THE IDEA of a separate fund for revenues from the exploitation of North Sea oil is rejected in a White Paper published yesterday.

Instead, the Government plans to make a report to Parliament each year to show what progress has been made in using the resources from the North Sea.

These will cover the wider benefits of oil to the economy and also investment in industry, energy and public services. The first such report will be published in the summer of next year, covering the previous financial year.

The White Paper says that it would be all too easy for governments to use the extra revenue to finance a quick improvement in living standards through tax reductions and increased social *benefits to an extent which would* leave insufficient room for increased productive investment.

It goes on: "It would be wrong to spend the benefits of North Sea oil in this way. It will be recalled that a useful balance of payments surplus was built up in 1969-70: but this was rapidly dissipated in a short-lived consumer boom in the early 70s leaving no permanent improvement in our economy.

"It would be a tragedy for the nation if such irresponsible waste were to be repeated in relation to North Sea oil."

The White Paper sets out four broad areas into which the Government proposes to channel the oil resources for the best long-term advantage:

● Investing in industry—direct use of oil resources to increase industrial capacity by guaranteeing general investment incentives, expanding selective assistance, supporting the National Enterprise Board and other development agencies and tackling the long-standing problems of Scotland and the assisted areas.

This will enable us to enjoy higher growth and more public and private consumption, says the White Paper.

● Improving industrial performance. More efficient production methods are needed to take up opportunities for increased sales at home and abroad.

This could be done by furthering the industrial strategy through the Sector Working Parties and by reducing further the burden of personal taxation to improve work incentives.

● Investing in energy — to find alternative sources to replace the oil when it begins to run out. They could be secured by boosting energy investment, including research into alternative renewable resources, and by conserving existing energy supplies.

● Increasing essential services. Modernisation of manufacturing industry would often involve slimming down the work-force, particularly in the early stages. *The Government will tackle* this employment problem while using part of the revenue to deal with other important social problems by supporting the planned expansion of vital communications, developing more ambitious training and retraining programmes for young people and adults and by providing more and improved social services.

There were three principal benefits to the economy from North Sea oil—to Gross National Product, Government revenue and the balance of payments.

The U.K. income arising directly from oil production in the North Sea is expected by 1980 to be about £4.5bn. (at 1977 prices), or rather more than 3 per cent. of present GNP. By the mid-1980s, this direct contribution should rise to about £6bn. a year.

The contribution to Government revenue will be quite small to start with because development costs will be set against profits. But by the mid-1980s a total yield for both oil and gas production approaching £4bn. annually (at 1977 prices) is estimated.

The benefit to the balance of payments will depend on the use of opportunities presented by oil. On the assumption that neither the exchange rate nor the level of domestic activity is affected, oil will improve the total balance of payments by about £5.5bn. in 1980 and about £8-£9bn. in the mid-1980s (all 1977 prices).

A large part of the new resources and extra revenues must be consciously identified and allocated to the kind of long-term investment the U.K. has not always been able to afford in the past.

"They must be used so that when the oil runs out our industrial base is stronger than it was before. This requires a measure of discipline and a sense of priorities on the part of the Government."

The Government had decided it was not practicable to go further than the proposed annual reports and set up a separate fund into which all or part of the revenues would be paid, and from which money would only be used to finance special projects which match these priorities.

"A fund would mean providing for a fixed sum to be spent in specific priority areas separate from and additional to the Government's main public expenditure programmes. In many cases these areas would overlap.

"Expenditure financed from a fund would by definition be of lower priority than the basic spending in the main programmes and, were the Government to have one set of priorities for fund revenues and another for the rest of its programmes, there would be a risk of confusion and misallocation of national resources.

"There is no easy way of identifying what public spending or tax reliefs are made possible by North Sea oil. It is one general is higher and the in general is higher and the burden of taxation lower than it would have been without oil.

"It is quite another to identify and enumerate in advance specific items of expenditure, or specific tax reliefs, which the oil will make possible.

"Any attempt to bring together such items in a separate fund would be artificial and unconvincing. Also it would clearly be wrong to make the amount of North Sea revenues determine the amount of spending in particular fields rather than relative needs. On the other hand a fund where the amount of revenue had no effect on spending would be an empty piece of accounting."

The best national use of North Sea revenues would be achieved if they were accommodated within the existing system of financial planning.

The Government believed that the annual progress reports would be more meaningful than setting up a development fund which would either be largely cosmetic or have the effect of undesirably separating the decisions that would have to be taken.

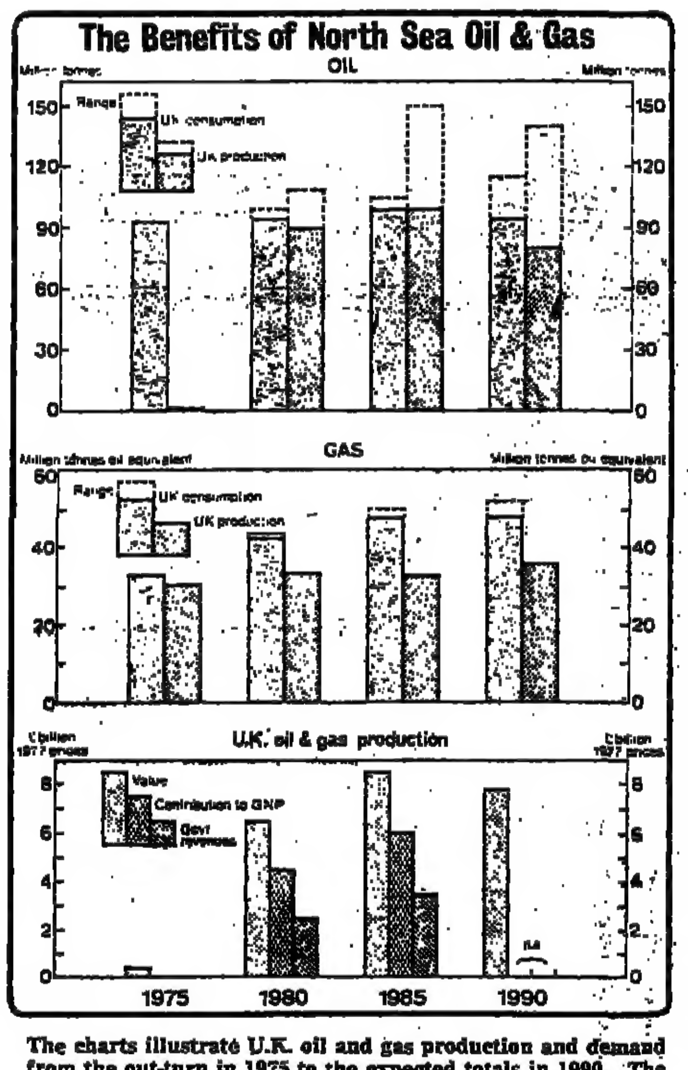
On specifics, the Government saw scope for a considerable reduction in taxation in the next few years.

"However, a programme of major tax reductions *with no* direct provision for any expansion in the economy's productive base, might increase national living standards only temporarily." Any large drop in tax rates would depend on faster economic growth.

"With the investment strategy revitalising the U.K.'s economic performance, faster economic growth will enable the Government to continue with its programme of reducing the personal taxation.

"This would not only improve work incentives, strengthening the economic recovery and making a return to full employment easier; it will also ensure that real take-home pay can be increased without inflationary rises in money wages, thereby reducing labour costs and improving competitiveness."

The Challenge of North Sea Oil. Cmnd. 7143: S.O.: 45p.



The charts illustrate U.K. oil and gas production and demand from the out-turn in 1975 to the expected totals in 1990. The range of possibilities is indicated in the forecast figures.

Alice ventures into auction wonderland

SIX-YEAR-OLD Vanessa Alice St. Clair became Phillips's youngest-ever bidder yesterday when she tried to buy a Victorian photo album containing a hitherto-unknown picture of her great grandmother, Alice Liddell, the inspiration for Lewis Carroll's Alice in Wonderland.

She stayed in the bidding until £200, having opened it at £20. The album of 100 Liddell family pictures went to the Dolls in Wonderland Museum at Brighton for £400.

A rare group of 16 Napoleonic miniatures was bought at Christie's yesterday for £13,500 by Lavender, the London dealer.

They had been sent for sale by an American collector and were part of a sale of miniatures, Russian works of art and gold boxes which totalled £134,750.

An anonymous bidder paid £9,000 for a Dutch oblong gold snuff box by Jean Saint, Amsterdam 1748. A Louis XVI gold snuff box by Pierre-Francois-Mathis de Beaulieu, Paris, 1775, went to S. J. Phillips at £6,800. Both boxes had been sent for sale by the Earl of Stair.

A presentation French oval snuff box in gold circa 1860, was bought by Blenheim Arts for £7,000, and a Swiss oval enamelled gold musical snuff box for £5,500.

One of the day's more interesting lots was a French faience chess set commemorating the Moroccan campaigns of Marshal Lyautey. Made specially for presentation by the French Government after his success in North Africa, the set is described in Hammond's Book of Chessmen, as "unique." It realised £3,500.

A Christie's sale of Japanese swords, sword-fittings and prints totalled £45,661. Kruml, the London dealer, paid the highest price of the day at £1,300 for an oban print by Hiroshige. An oban print by Utamaru of a seated woman arranging chrysanthemums while her mistress stands beside her, sold anonymously for £1,000.

SALEROOM

BY ANTONY THORNCROFT

The collectors' sale at Phillips Marylebone totalled £16,370. Knowles paid £1,250 for a German tin clockwork bus from the turn of the century.

A Phillips' sale of jewels totalled £134,850 and Fischzang, an American buyer, paid £9,200 for an emerald-and-diamond ring. A furniture sale totalled £39,015.

At Bonhams, a collection of Victorian dip pens and writing equipment, gathered by a High Court judge, sold for £1,382 for 16 lots.

At Sotheby's Belgravia, Victorian pictures and a collection of 72 paintings, mainly of cats, by Louis Wain, made £22,874. At Sotheby's in Bond Street, Chinese works of art totalled £27,453, and at the Sotheby Bearne auction room in Torquay works of art brought in £15,091.

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Airport landing fees are raised by 8%

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LANDING fees at airports run by the British Airports Authority in London and the South-East are being raised by an average of 8 per cent. from April 1. At the same time, the Authority is making plans to collect from airlines the proposed 80p levy per passenger to cover security costs.

The Authority announced yesterday that landing fees for a Boeing 747 Jumbo jet in the peak period at Heathrow would rise from £2,072 to £2,307, from April 1, while in the off-peak period the rise would be from £636 to £683.

For a Trident jet on a scheduled short-haul flight, the peak period landing fee at Heathrow will rise from £514 to £563. Off-peak fees will rise from £80 to £85.

The difference between peak and off-peak rates is to encourage airlines to make more use of Heathrow and Gatwick during quieter hours.

In spite of these rises, the Authority claimed that its charges still compared favourably with those of other main airports. The standard Jumbo jet landing fee at Frankfurt, for example, is £1,588, which compares with the year-round average rate at Heathrow of £1,405, while at Amsterdam the rate is £1,576 and at New York £1,627.

The Authority's argument is that while big foreign airports have a standard fee year-round, Heathrow's rates are varied according to the time of day the airports are used. For an airline to use the quieter periods, such as late morning or mid-afternoon, the U.K. rates are well below those of other airports.

The Civil Aviation Bill providing for the security levy collected from all arriving passengers is not yet law, but the Authority is already making plans to collect it from the airlines. The latter will have to decide whether they pass this charge on to their passengers directly, by a surcharge on tickets.

The Government hopes to cover the estimated £19m. that it costs annually to provide for security services at all U.K. airports. The Civil Aviation Bill is moving through its final stages in Parliament and is expected to become law by the late spring.

Limited expansion at Stansted

BY OUR AEROSPACE CORRESPONDENT

THE GOVERNMENT has no plans to develop Stansted Airport in Essex "by stealth" as a way of easing congestion at London's airports in the 1980s and beyond.

Mr. Stanley Clinton Davis, Parliamentary Under-Secretary for Aviation, said yesterday that there will be no development at Stansted beyond that needed to handle 4m. passengers a year, without a thorough examination and wide-ranging consultations on the long-term needs for airport development in the Suoth-East.

The Government's recent White Paper on Airports Policy had made it clear that expansion of Stansted was only one of the options for the long-term future of airports in the area, the others being the possible use of a military airfield or development of a new airport.

"Although we believe it would be a mistake to reach a decision now about the period beyond 1990, we need to consider the options that are available," said Mr. Clinton Davis. "Shortly, my department will be discussing with local authorities and others concerned what sort of machinery will be required for consultation, and to formulate advice on long-term policy."

Sand and gravel running short in North—report

BY JAMES McDONALD

LIMESTONE and other hard rocks in the North of England should be sufficient up to the 1980s and probably for much longer, but sand and gravel are much more limited, according to a report by a working party of local planning authorities and mineral operators in the region.

The report foresees shortages of sand and gravel in parts of the region before 1985 if no further approvals for extraction are granted.

The most severe shortage would be in Cleveland, which is dependent upon quarries in North Yorkshire and Durham for its supplies. Other local shortages were likely in Durham, Tyne and Wear, and Cumbria.

For limestone and other hard rocks the Tyne and Wear area would become more dependent upon quarries in Durham and Northumberland for supplies if further approvals for extraction were not granted within its area.

The report's conclusions are intended to provide guidance for local planning authorities in determining their policies on extraction of sand and gravel, limestone and other rocks.

New Merseyside hospital

WORK HAS started on a new £850,000 independent hospital at Crank, near St. Helens, Merseyside. The £650,000 contract for the building has been awarded to Fairweather. A further £200,000 will be spent on equipping it.

The decision to create a new independent 40-bed hospital for the North West was announced in December, 1976 by Mr. David F. Pilkington, chairman of the management committee of Fairfield (the Guy Pilkington Memorial Home). Fairfield, registered in 1973 as a non-profit charity, is equipped as a nursing home.

The contract involves extensive alteration of the existing building, addition of a new two-storey extension and the building of an operating theatre. Architects are Gerald R. Smith and Partners of Liverpool. Completion is scheduled for autumn, 1979.

APPOINTMENTS

Executive posts at Westward TV

Mr. G. H. Lidstone has become vice-chairman of WESTWARD TELEVISION and Mr. Michael Heathcoat-Amory has joined the Board. Mr. Ralph Miller, financial director, has retired. Mr. Lidstone is one of the original members of the syndicate granted the ITV franchise for the South West. He is also a director of Westward's subsidiary, Air Westward. Mr. Heathcoat-Amory is deputy chairman of the Lowman Manufacturing Group.

★

Mr. A. S. Wheate, until recently a director of Burmah Oil Trading Company, has been appointed financial consultant to JOHN D. WOOD.

★

The CARPET INDUSTRY TRAINING BOARD has been reconstituted for a further three years and includes two new members, Mr. J. C. Furniss and Mr. G. Carter. Mr. S. F. Townsend continues as chairman.

★

Mr. Alfred J. Pettengell, at present finance director of BELOIT WALMSLEY, is to become managing director from April 1. He will succeed Mr. Harry K. Horne, who is to be executive vice-president, corporate marketing, of the Beliot Group export sales organisation.

★

Mr. Richard Portugal has been appointed sales director of MILLS AND ALLEN, in the U.K., the major subsidiary of Mills and Allen International. He was previously the company's general sales manager.

★

Mr. Paul Usher has been appointed a director of GOUGH BROTHERS. He was previously with Berni Inns as group management accountant, and Watney innkeepers as financial controller.

★

Mr. A. G. Moore (R. and S. Displays) and Mr. P. J. Webster (Phase 2, Contracting Services) have been elected to the council of the NATIONAL ASSOCIATION OF EXHIBITION CONTRACTORS bringing the membership of the council to 17.

★

The BRITISH AIRPORTS AUTHORITY has appointed Mr. [illegible] Aitkenhead as general manager of Aberdeen Airport from April 1. He is at present the external relations manager for the Scottish Airports Division based at Glasgow Airport.

★

Dr. W. I. Pumphrey has been appointed as a visiting professor in the Department of Materials and the Faculty of Science and Technology of the CRANFIELD INSTITUTE OF TECHNOLOGY. Dr. Pumphrey was formerly managing director of Murex Welding Processes and is now consultant to a number of industrial groups in the U.K.

★

Mr. A. G. Derbyshire has been appointed to the Hoffman Wood Chair of Architecture at the UNIVERSITY OF LEEDS for the academic year 1978-79. He is a non-executive director of the *Property Services Agency* and the Central Electricity Generating Board and a member of the recently formed Standing Commission on Energy and the Environment.

★

Mr. Jim M. Lambert has been elected president of the Newcastle, Tyne and Northumberland Association of the NATIONAL FEDERATION OF BUILDING TRADES EMPLOYERS. He succeeds Mr. Stuart Ettles who is now senior vice-president of the regional NFBTE. Mr. Lambert is marketing manager of John Laing (Construction) in the Northern Counties.

★

Mr. Allan Wilson-Smith, general manager, overseas division, COMMERCIAL UNION ASSURANCE COMPANY, is to retire on April 30.

★

Mr. Ralph Mansfield has been appointed to the Board of GRANTS OF ST. JAMES'S and continues as managing director of Hatch Mansfield and Co.

★

Mr. Kerry St. Johnston has been appointed to the Board of STRAITS STEAMSHIP COMPANY as a non-executive director in place of Mr. C. D. Lenox-Conyngham who has relinquished his directorship. Mr. St. Johnston joined Staits' principal shareholder, Ocean Transport and Trading in 1955. He became a managing director of that company in 1963 and was deputy chairman from 1973 to 1976. Mr. St. Johnston is at present president and chief executive officer of Private Investment Company for Asia which he joined in Febriary of last yar.

★

Mr. Derek Combes has been appointed personnel director of GLYNWED FOUNDRIES. He joins the company from Haffenden-Richborough.

★

Mr. Peter Vessey has been appointed chief executive of DAVY INTERNATIONAL PROJECTS, which was recently formed within the Davy International group to bid for and manage major projects worldwide of an unusually large and complex type.

★

E. ST. JOHN HOLT AND ASSOCIATES states that for personal reasons Mr. J. Michael Totterdell will not be taking up his position as an executive director of the company. The appointment was reported on February 22.

Guernsey's banking industry pre-tax profits rise to £11m.

FINANCIAL TIMES REPORTER

PRE-TAX PROFITS of Guernsey's banking industry rose from £3.75m. in 1973 to an estimated £11m. last year, says the island's advisory and finance committee in its latest economic survey.

The committee says this level of growth was "extremely significant" as it represented an increase of about £1½m. in income tax paid by the banking sector in the period before any account was taken of the profits from insurance business and other finance sector activities.

The island's 43 banks now employ about 1,000 people, compared with 600 in 1973, and their profits represent about £11,000 per employee.

Total deposits in the island stood at £650m. at the end of last year, the report says.

Regarding Guernsey's increasingly important role as an international finance centre, talks have taken place with several more international banks for opening branches locally.

New company registrations in the island reached a record level of 899 last year, over 300 being for non-residents of the sterling area.

Image

During the year corporation tax (a £300 p.a. tax levied on non-resident companies), document duty and other company fees totalled just over £1m.

The finance committee anticipates that Guernsey's growth as an insurance centre will gain momentum once a long-awaited local insurance law has been introduced.

To "preserve and enhance Guernsey's image as a respectable finance centre and to facilitate certain types of business," the committee says it has been decided to amend the existing law rather than produce a comprehensive new company law.

The report adds that a consensus seems to be forming in the financial community that statutory trust law is desirable in Guernsey. And although there is at present no firm intention to produce such legislation the situation is being kept under review.

Council's £1m. for rejected home buyers

COUPLES who have been refused mortgages by building societies because of recent cuts were urged yesterday to approach Northampton Borough Council, which has £1m. to lend.

The council said it will reduce its mortgage interest rate for new borrowers and 2,000 existing borrowers from 10¾ to 10 per cent.

During the last year, the council has lent a total of £350,000 in mortgages and officials say that from April 1 they will have £1m. available.

Police go abroad for road inquiry

POLICE INQUIRIES into an alleged £500,000 motorway works fraud have been conducted in the Middle East and the Far East as well as the U.K., according to the annual report of Mr. Peter Matthews, Chief Constable of Surrey.

The investigation, which is expected to continue until the end of this year, is into some contracts placed with the Department of the Environment for the M23 and M25 motorways in Surrey

This month detectives visited the head office of the main contractor, W. and C. French (Construction), at Buckhurst Hill, Essex, and examined documents

The Surrey fraud squad said yesterday that some of the people who might be able to assist were now employed abroad.

Last night, French Kier Holdings, which owns W. and C. French, said that it had been aware since last October that inquiries were being conducted into its subsidiary.

"These inquiries appear to be directed towards the interpretation and implementation of variation of a price clause within the contracts for the construction of the M23 and M25 motorways," the company said.

"Without in any way acknowledging the veracity and substance of the reported allegations (which have never formally been advised to the companies by either the police or the Department of the Environment), full provision was none-the-less made when forecasting the group's trading results for 1977 in November last."

Pop companies' court victory

POP STARS and record companies won a legal victory yesterday against "bootleggers" — people who sell tapes and records made secretly at live pop concerts.

The Appeal Court ruled by a 2-1 majority that 30 record companies and pop musicians were entitled to a "search and seize" order against a man who has been described by a High Court judge as the "evil genius" behind the illicit recordings.

The ruling means that the record companies can now go back to the judge, Mr. Justice Walton, who earlier this month refused them an order, and ask him to make one against the "bootlegger." They can then search his premises and take away illicit material.

Mr. Hugh Laddie, for the companies, had told the appeal judges: "The whole nature of the trade is that it is underground. Any proceedings or notice alerts a suspected culprit and he goes to ground."

Because of this no names were given in court or in the list of court business.

Lord Denning, Master of the Rolls, said that both performers and recording companies had private rights and interests which they were entitled to have protected against unlawful interference, from which they suffered severe damage. The courts had jurisdiction to grant injunctions against "bootleggers."

Lord Justice Waller agreed that the case should be sent back to Mr. Justice Walton to be reconsidered. Lord Justice Shaw, dissenting, said an order against "bootleggers" went beyond what the criminal law permitted.

Shipyard orders drop

AUSTIN AND PICKERSGILL, the Wearside shipbuilders, now part of British Shipbuilders, is facing order difficulties.

Austin has been among the U.K.'s most successful shipbuilders, but at a meeting of the company's 2,800 workers yesterday, Mr. Derek Kimber, chairman, said that since nationalisation, production has been decreasing steadily.

Three orders had already been cancelled, and others were in danger. Workers must "pull their socks up and stop the petty squabbles which have affected the yard recently."

Austin and Pickersgill has had great success with its off-the-peg SD14 cargo vessel, and has won the Queen's Award for exports. But last year it failed to win a single new order and now has only eight orders left.

£1m. to be spent on garage

MODERNISATION of Chiswick, London, bus garage will start this month. A building contract worth £1m. has been let to Miller Buckley Construction of Rugby. London Transport said yesterday.

Chiswick eventually will replace the nearby Turnham Green garage, but initially, after modernisation, it is proposed that it should house the buses now in Riverside, Hammersmith, while the garage there is rebuilt.

HOME NEWS

10% growth aim for telecommunications

BY MAX WILKINSON

AN ANNUAL increase of 10 per cent. a year in telecommunications exports from the U.K. to the end of the decade is the target set to-day by a National Economic Development Council Sector Working Party.

The Industrial Strategy report of the Telecommunications working party says: "This implies a world trade share by 1980 of 6 per cent., which is an ambitious target in the circumstances."

However, the report says that the statistics on which this objective are based are inconsistent and considered by the industry to be unreliable.

The industry's own forecast is that total production will increase from £457m. in 1977 to £527m. in 1981 at 1977 prices a rise of 15 per cent. over the period.

Rise in exports

Exports are expected to increase over the same period from £97m. to £142m., a rise of 46 per cent. Sales to the Post Office are expected to increase by only 6 per cent. to £317m.

The fastest increase is expected to be in sales of transmission equipment which is forecast to account for 20 per cent. of total capacity by 1981 compared with 14 per cent. in 1975.

By 1981, the industry hopes that 29 per cent. of its production will be for export compared with only 14 per cent. in 1975.

The report records that world trade in telecommunications equipment has been rising at the rate of about 13.5 per cent. a year since 1963 by volume to reach $2.6bn. by 1975.

It expects the increase to continue at around 10 per cent. a year in spite of the lower growth prospects for OECD countries.

In 1976, the report says, the sector achieved a balance of trade surplus of £50m. on sales of £516m. Exports have risen slowly, but the U.K.'s share of the world market has fallen from 10.5 per cent. in 1970 to 5.9 per cent. in 1975.

The working party comments: "This is a continuation of a long term downward trend: in 1963 the U.K. and West Germany each had a 25 per cent. share.

"Now the U.K. is lying seventh behind Sweden (22.1 per cent.), West Germany (20.4 per cent.), Japan (9.3 per cent.), Belgium (7.9 per cent.), U.S. (7.5 per cent.) and France (7.3 per cent.)."

Import penetration has also risen from 3.5 per cent. in 1967 to 14 per cent. in 1976, but this is not such an immediate cause for concern since the increase is due to factors which are not expected to recur, such as the £40m. import of two international exchanges ordered in 1974, for which payments were spread over three years.

"This notwithstanding, concern has been felt over the success of IBM in the private branch exchange (PABX) field, with its stored programme control 3750 system. Comparable exchanges are now becoming available from U.K. manufacturers and it is expected that the incursion of imported products will be progressively curtailed in the future."

The report adds: "World trade is dominated by exchange equipment and the failure of the U.K. to have available an up-to-date and comprehensive range of switching equipment has been the major contributing factor in the loss of market share."

The fastest loss of market share, says the report, has been in the highest growth areas of South America and the Middle East.

A recovery of exports must therefore depend on the successful development of a new computer-controlled all-digital range of exchanges which the Post Office is developing with the manufacturers under the name of System X.

Trained manpower

The working party says the first digital trunk switching centre is due to be in service by the end of 1982, and first exports could be achieved by 1983. When it is in service, Post Office procurement of System X equipment is estimated at about £3bn.

The working party recommends that special efforts should be made to ensure that an adequate supply of trained manpower is available for the production of System X.

Total employment on switching and related products is expected to fall from between 39,000 and 42,000 in 1978 to between 38,000 and 41,000 in 1981, but the skills required in the industry will change considerably.

Waterway clean-up a slow process

By Kevin Done

RIVERS AND canals are gradually becoming cleaner, but the improvement is a slow process. The report of the River Pollution Survey of England and Wales, published yesterday, shows that a net length of 215 miles of rivers and canals have been upgraded since 1972.

The survey, which was carried out in 1975, classifies waterways in four categories: unpolluted; doubtful and needing improvement; poor and requiring urgent improvement; and grossly polluted. Since 1972, 979 miles of rivers and canals have been upgraded, but 764 miles have slipped into lower categories.

The main improvement in the chemical quality of the water has come in classes three and four with a reduction in the length of polluted non-tidal rivers. Canals generally show an improvement and there has been a reduction in the length of grossly polluted tidal rivers.

Discharges

Sewage effluent discharges into waterways have increased, but industrial discharges have been reduced, partly because more has been diverted through the public sewers. Crude sewage discharges have also been lessened, particularly to non-tidal rivers.

The biggest concentration of grossly polluted rivers are in areas covered by the North West, Severn-Trent and Yorkshire Water Authorities. Some 341 miles of rivers in the North West are so dirty that they cannot support fish life, smell offensive, and are completely lacking free oxygen. About 336 miles of river in Yorkshire are in this category and 253 in Severn-Trent.

The worst affected river system is the one flowing into the Humber. Some 244 miles of the Rivers Don, Calder, Aire and Ouse—flowing through the industrial areas of Bradford, Leeds, Dewsbury, Castleford, Wakefield and Rotherham—are grossly polluted. And some 145 miles of the Rivers Trent and Tame are grossly polluted in the Midlands as they pass through Birmingham and flow north to Tamworth and Burton upon Trent.

In the North-East of England both the Tyne and the Tees are grossly polluted as they flow the last 20 miles to the sea. However, in the South-East the campaign to clean up the River Thames demonstrates its success by the fact that no part of the river is now considered to be in category four.

Chemicals

However, the downstream stretch from Blackwall in the old dockland area is considered to be in a poor state, urgently in need of improvement.

The chemical industry emerges as the worst industrial polluter. More than 60 per cent. of its discharges of process water are considered unsatisfactory. Power stations discharge far greater quantities, but the water is of a better quality.

The other major sources of unsatisfactory effluent are quarries and the mining industry.

River Pollution Survey, England and Wales, Updated 1975. HMSO, £16.

Tories seek business exemptions

Financial Times Reporter

EXEMPTIONS FROM U.K. tax, employment and financial legislation are proposed for proprietary companies — the Conservatives' concept of new grading for small businesses — in a document published yesterday by the Small Business Bureau.

Proprietary companies would no longer have to file accounts at Companies House. They would pay lower rates of corporation and capital transfer tax, and the investment income surcharge would be scrapped.

They would be mostly exempt from paying the industrial training levy, as well as from filing statistical information with the government.

Employment protection legislation, which makes it mandatory for companies to re-hire women after they had had a child, would not apply.

Proprietary company status should be granted to businesses employing fewer than 50 people, with annual sales of less than £500,000. More than 350,000 companies would fall into the new category.

The main effect of the plans, which set out in greater detail a Tory idea first floated 18 months ago, would be to free small companies from onerous Government legislation.

Towards the Proprietary Company, by Joe Hayton, FCIS, published by the Small Business Bureau. Available from 32, Smith Square, London, S.W.1, price £1.00.

Chrysler U.K. jubilant over Linwood boost

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

CHRYSLER U.K. has set an ambitious profit target for the current year as the first step towards breaking free of Government support.

Senior executives are jubilant at the dramatic rise in output at the troubled Linwood plant, Scotland, and the fact the company is operating profitably for the first time since the Government rescue negotiated in 1975.

Encouragement is taken from an initiative by the Linwood trade unions to set up joint committees with management to raise productivity further.

The Linwood stewards have made it clear to the workforce that the plant must operate profitably in order to generate the funds necessary for the introduction of a new model in the early 1980s. Without a new car, jobs in Scotland would be placed at risk.

Confidence is at last rising within Chrysler that a turning point might have been reached after suffering losses of £43m. and £21.5m. in the past two years.

The message from Mr. Eric Varley, Industry Secretary, and the U.S. parent company that additional funds will not be forthcoming seems to have struck home.

Output at Linwood this month is running at a record 89 per cent. of target. The future of the Ryton plant, Coventry, is assured following the decision to locate production of a new light car there next year.

Ryton will supply the new vehicle, a four door derivative of the successful Alpine, throughout Europe. Output will be trebled from the present 40,000 a year to around 120,000—a move which will take employment at Coventry near to the levels prior to the 1975 financial collapse.

The new car will mark a further stage in the integration of Chrysler's European operations and strengthen the company's model range.

Grant for coalfield study

THE INSTITUTE of Planning Studies at the University of Nottingham has received a grant of more than £7,000 from the Social Science Research Council for a research project entitled "The planning system and major industrial development: responses to the Belvoir Coalfield."

hTe project is part of a general research programme at the Institute concerned with planning, energy and environmental issues, including a study of the Selby coalfield and Cotgrave colliery in Nottinghamshire.

The Belvoir study has the encouragement of the East Midlands Economic Planning Council. It will determine the compatibility of the National Coal Board's proposals for the Vale of Belvoir coalfield with existing planning policies.

SELECT COMMITTEE CRITICISES 'LACK OF INFORMATION'

MPs attack immigrant policy

STRONG CRITICISM of the Government's handling of immigration was made yesterday in a Select Committee of MPs' report on race relations and immigration.

The report urges the Government to "make it unequivocally clear that in the forseeable future there will be no further major primary immigration and that such immigration will only be allowed in exceptional individual circumstances."

Primary immigrants are those who enter the U.K. to establish themselves and their families, rather than those who join relatives already in the country.

The MPs in their report are concerned that the Government and public are not kept adequately informed about immigration statistics. "Some of our specific inquiries remained unanswered because the information was not recorded or not deducible from the statistics available, and officials and Ministers alike frequently must be without the information necessary to make reasoned judgements."

The Home Secretary, therefore, is urged to "improve and enlarge the official information available on immigration."

The report points out that patrials, citizens of the U.K. and Colonies who live in the U.K. after residence abroad or Commonwealth citizens who have a U.K.-born parent, have a right of abode under the 1971 Immigration Act and may settle in the U.K. without being subject to immigration control.

"For this reason, the number of patrials who enter the U.K. for settlement does not appear in Home Office statistics," the report says.

The committee therefore recommends that the entry of patrials who enter the U.K. to settle after permanent resident abroad should be recorded.

The committee also points out that with the vast increase of international travel the present system of immigration control has come under great pressure. With the growing recognition of the problem of overstayers, the present system is "inadequate."

"In the U.K., whatever the system of control on admission, it seems to us that there is now a need for greater and more effective internal control. We therefore, in addition to the other recommendations that we have made, recommend that the Government should institute an independent inquiry to consider a system of internal control of immigration."

Overstayers

A major concern, according to the report, is the problem of people who overstay their right to be in the U.K. However, there was insufficient information available to make any realistic estimate of its extent.

"Nevertheless we feel justified in recommending that the police, the Immigration Service Intelligence Unit and other authorities should be afforded substantially more resources to trace overstayers and to tackle all aspects of illegal immigration."

The committee said it believed that a check on the employment of overstayers was important and was not satisfied with the progress made by Government departments so far.

"Accordingly, we recommend that the Government should introduce measures, if necessary by legislation, to provide effective sanctions against employers who knowingly employ overstayers and illegal immigrants."

The Department of Health and Social Security is also urged to introduce without delay new procedures to tighten up identity checks and to improve the issuing of national insurance numbers to new applicants.

The committee drew what it considered an important distinction between primary and secondary immigration. "We believe that present economic and employment prospects give no ground for any expectation that there will be scope for primary immigration in the foreseeable future." The Government is told that it should make this fact clear.

"Furthermore, we are convinced that the law of nationality needs re-statement and revision," the report states. The committee agrees with the Government that this would offer a more rational basis not only for citizenship but also for immigration control.

But the report recommends that "the Government give priority to their consideration of British Nationality Law with a view to publishing a White Paper on their proposals."

The committee says it has made its recommendations because "We feel that, at present, the information available is inadequate and their is evidence that some aspects of immigration control may be ineffective. We believe that positive action upon our recommendations is necessary to establish public confidence."

On political asylum, the report says that "opportunities of refugees to secure asylum in the U.K. should remain unimpaired."

It adds: "It seems inevitable that there will be a continuing need for such asylum and we regard the maintenance of the U.K.'s historically long and proud record of generosity as of great importance and value."

But the MPs acknowledge that political events can create large-scale refugee problems and they insist that these cases, including those from Commonwealth countries, must now be dealt with by international action. "Except in the case of, perhaps, remaining British dependencies the U.K. can no longer accept sole responsibility."

The report calls for a further tightening up on the admission of workers without work permits and the quotas for catering and domestic workers and nursing auxiliaries should be further reduced and dates given for their termination.

The U.K.'s commitment to British passport holders in East Africa has been largely met, the report says, but the position of passport holders in India "is not satisfactory." It recommends that a total quota should be made available or a special quota for India be published.

The report also recommends that the Government, after consultation with other countries involved, should set a date for the ending of the right of passport holders to settle in Britain, other than for exceptional circumstances.

Wives and children

Wives and children of immigrants into the U.K. should come to this country as soon as possible, the committee argues. But to avoid disruption, only children under 12 who are born abroad should be allowed to join their fathers.

Wives and children should also be given priority, the report recommends, over the claims of fiances and fiancees. And the committee was concerned that marriages of convenience were not being used to evade the immigration rules.

The report recommends constant review of the position of arranged marriages and of people who marry while in the U.K.

The report concludes: "Nothing in this report should give rise to fears in anyone irrespective of race, colour or creed, who has lawfully settled in the U.K. We have patiently sought not to aggravate but to reconcile differences."

First report from the Select Committee on Race Relations and Immigration. House of Commons Paper 303-I, HMSO, price £1.35.

LABOUR NEWS

Williams flies home for teachers' talks

BY ALAN PIKE, LABOUR CORRESPONDENT

MRS. SHIRLEY WILLIAMS, Education Secretary, has cut short a visit to the U.S. She will return to London to-day as negotiations resume in the teachers' pay dispute.

It is expected that the management side of the Burnham Committee will consult Mrs. Williams before meeting the unions in the afternoon. On Monday night, union representatives rejected an improvement in the employers' offer from 9 to 9.8 per cent. but agreed to further talks to-day.

Members of the two biggest teaching unions, which have asked for 12.5 per cent. increases, are banning voluntary duties in support of their claim.

To-day's discussions between the local authority employers and Mrs. Williams will concern the impact on the pay guidelines of wage drift arising from incremental increases.

The outcome of to-day's talks is likely to help determine whether it would be possible for the employers to revise their offer. If not, the issue will go to arbitration after Easter.

In the High Court yesterday, Dyfed County Council lost the second round of an attempt to avoid paying social priority allowances, which would cost the authority £250,000 to teachers at 22 schools.

The council argued that Mrs. Williams had acted outside the law in making an order under which the Burnham Committee gave 22 schools in deprived areas social priority status.

Mr. Justice O'Connor said yesterday that in giving the Burnham Committee power to designate social priority schools, rather than leaving the decision to local authorities, the Secretary of State had merely enabled the committee to make convenient and lawful adjustments to lists put forward by councils.

● Mr. Sam Fisher, a Communist and leading figure in the National Union of Teachers, unexpectedly lost his seat on the union's executive in elections declared yesterday. The general political balance of the 44-strong executive remained unchanged.

Salaries plea by D. C. Thomson

BY OUR OWN CORRESPONDENT

D. C. THOMSON, the Dundee newspaper publishers, warned yesterday that many of their publications would be viable no longer if their journalists were paid the same salaries as those on national newspapers.

In evidence to the Central Arbitration Committee in Glasgow, the company said that the establishment of such pay links with national papers would have severe repercussions in its other departments, and in provincial newspapers based ouside London.

The committee is hearing a claim by the National Union of Journalists under Schedule 11 of the Employment Protection Act for comparability on pay to be established between journalists in the Glasgow office of the Thomson-owned Sunday Post and Weekly News, and those working for the Sunday Mail and Scottish Sunday Express in Glasgow.

The company, with a long history of resisting union recognition, is presently fighting the NUJ's attempt to recruit journalists in its Glasgow office where 14 out of a total staff of 36 have joined the union.

Mr. J. Stuart Fair, a solicitor for the company, told the committee that there was no basis on which to compare the Sunday Post or Weekly News with any national newspaper whose Glasgow-based journalists were paid about the same rate as their colleagues in London.

Yesterday's meeting was adjourned until May 16.

● Mr. David McCalden, a former National Front employee, has lost the latest round of his legal battle to become a member of the NUJ. An employment appeal tribunal in London dismissed his appeal against an industrial tribunal's refusal to grant him a declaration that he was entitled to be a member after the union decided that Mr. McCalden could not comply with its code of conduct.

Sam Silver retires to fight for the pensioners' cause

BY PAULINE CLARK, LABOUR STAFF

SAM SILVER, a former engineering branch secretary for the Transport and General Workers Union, boarded the train home from London to Wiltshire yesterday "raring for battle" with the Salisbury district council over its failure to grant concessionary bus fares to old people.

Mr. Silver was one of about 30 TGWU retired members who, at a special conference in Transport House yesterday, pledged themselves to promoting solidarity among Britain's nine million retired workers and other pensioners.

The programme for action includes a plan for pensioners throughout the country to knock on the door of every MP in a drive to persuade the Government to improve the pensioners' lot.

Mr. Jack Jones, who retires as general secretary of the union on March 29, was unanimously elected by the conference as president of the campaign.

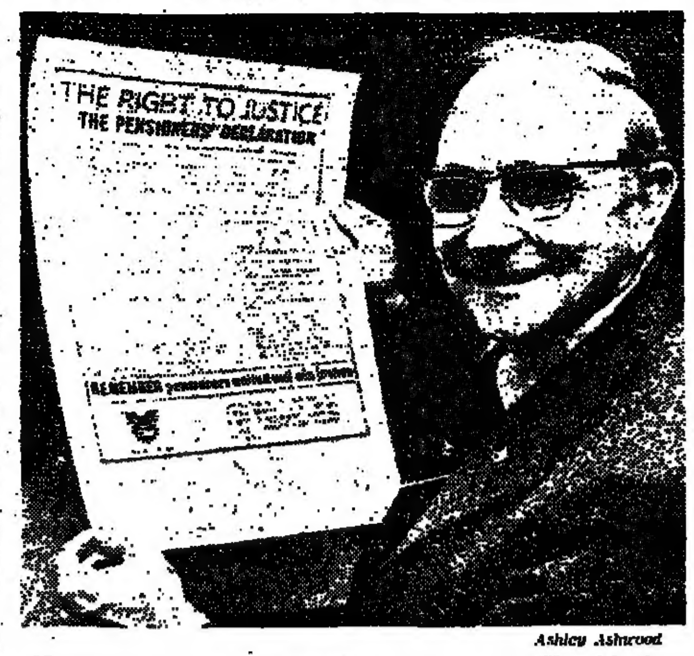
Although Mr. Jones will be retiring on his union pension (he declined yesterday to disclose the amount) he emphasises that the chief mission of the campaign must be to secure a better State pension on which he says nearly 60 per cent. of manual workers depend.

With the cooperation of the National Federation of Old Age Pension Associations and other old people's campaigning groups, the TGWU retired activists will be fighting for pensions to be raised to 50 per cent. of average earnings for a married couple and 33½ per cent. for a single person. This would increase the current payments from £28 to £37.50 and £17.50 to £25 respectively.

In a seven point "Pensioners' Declaration" adopted by the conference, the first step in the campaign will be to persuade MPs to press for "a big increase in the basic State pension" in the April 11 budget and alleviation of the tax problems faced, by working pensioners.

Mr. Jones told the conference that neither the government nor the local authorities were taking adequate steps to meet the "essential requirements of pensioners

"One in five people is retired and there is a lot of suffering among them."



Ashley Ashwood

Mr. Jack Jones, general secretary of the TGWU, with the declaration.

Builders' pay deal delay is likely

BY CHRISTIAN TYLER, LABOUR EDITOR

CHANCES of an early conclusion to national wage negotiations for 700,000 building and civil engineering workers receded yesterday.

The seven-man executive of the Union of Construction, Allied Trades and Technicians, is considering the rare step of calling a conference of the union's 12 regional committees to consider the employers' offer.

It seems unlikely that any agreement will be reached before the union's militant biennial delegate conference meets early in June.

The employers were anxious to settle the deal before that conference in case it tried to instruct negotiators to take a much harder line over the Government's 10 per cent. earnings limit.

They usually plan to reach agreement well before the due date—now June 26—to fix rates in time for new contract tender

UCATT has broadly accepte the 10 per cent. limit but di putes the employers' calcul: tions of the average earnin; figure to which the increas would be applied. It is also co testing the way the employer intend to treat consolidation existing, substantial suppl ments.

The new UCATT executive, which the Left has considerabl clout, did not vote on the issu yesterday. But it was thought u likely that the next negotiatin session between the four union involved and the building an civil engineering employer would produce a result.

The offer so far is thought t be about 9.5 per cent. of tota earnings, or just over £7 a wee on average, based on employers calculations of current earn ings. Present minimum earning are £52 a week for craftsme and £45.20 for labourers.

Lucas stewards discuss closure

SHOP stewards from Lucas Aerospace factries threatened with closure and redundancies meet to-day in Birmingham to discuss action against the Lucas decision.

A deputation of Labour MPs from areas where the 17 Lucas Aerospace plants are based is to see Mr. Albert Booth, Employment Secretary, next month about the closure and redun dancy plans.

Mr. Max Madden, MP fo Sowerby and the Labour Party's employment group chairman said yesterday that the MPs want the Government and Lucas management to consider the shop stewards' alternative corporate plan for introducing new products.

Health officers' pay rise

Pay increases of 9.9 per cent. have been agreed for 2,500 regional health authority staff who are members of the National and Local Government Officers' Association.

The increase, which will run from April 1 for chief officers and from July 1 for other staff, is made up of a 10.3 per cent. increase on 1975 pay scales and consolidation of supplements from stages one and two.

The agreement will not be binding for 12 months so that a common settlement date of April 1 for all regional health authorities work staff can be tried for next year.

Levland stoppage

Mini production at Leyland's Longbridge plant stopped yesterday because of a dispute over a foreman who showed a worker how to do his job. About 250 men in the Birmingham West Works body shop, mostly sheet metal workers, stopped work over the incident. They were joined by another 250 colleagues yesterday morning.

Budget plea

THE CHANCELLOR must stimulate the economy substantially in the Budget if the growing problem of unemployment is to be dealt with. Mr. Ken Graham, an assistant general secretary of the TUC, told a Manchester conference of representatives from industry and education.

Unemployment of adults fell in the last month in all regions except the West Midlands, northern England and Northern Ireland. The biggest improvement was in the south-west, where the number of unemployed fell 2 per cent. to 104,700 (seasonally adjusted). The total fell 1.4 per cent. in the north-west of England and 1 per cent. in the south-east. The only significant increase was in Northern Ireland, where the number out of work rose by 1.4 per cent. to 59,700.

PARLIAMENT AND POLITICS

Tories all at sea over oil cash

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN wrapped the benefits of North Sea oil into an attractive election package in the Commons yesterday as the Tories tied themselves into knots.

The Prime Minister avoided any extravagant claims or exaggerated promises.

North Sea oil would provide valuable but temporary benefits. It had already brought 100,000 new jobs and by the mid-1980s it would add £8bn. to £9bn. credit a year to the balance of payments, £6bn. to national income and £4bn. to the revenue.

Mr. Callaghan neatly squared these resources into the Government's priorities: Industrial investment; development of alternative energy sources; personal tax reductions; and improvements in public services, social welfare and the inner cities.

"The Government's purpose is to use the proceeds ... to strengthen the country's industrial and social base and to bring to fulfilment the national recovery that has already begun."

The country, he thought, would appreciate both the purpose and the packaging, and he sat down to cheers from the Labour benches.

Mr. Denis Healey and Mr. Anthony Wedgwood Benn, to the right and left of him, smiled over their differences.

Easy enough to spend what private enterprise had provided. Mrs. Margaret Thatcher snapped at so much Socialist satisfaction. If other countries had treated BP as the Government did overseas companies, the country would be much the poorer for it.

As for what she regarded as the Government's unearned bonus: "We believe the lion's share should go in cuts in taxation," she said. That was the way to greater profits, investment and more jobs.

The country had a better sense of balance than the Tory leader, Mr. Callaghan said confidently.

The Prime Minister also showed a better sense of electoral direction than the Tories who urged on him successive and contradictory destinations for the extra wealth.

Mr. Peter Viggers (C., Gosport) in direct opposition to Mrs. Thatcher, said it should be concentrated on capital investment rather than spent as income.

Mr. Terence Higgins (C., Worthing), a former trade spokesman, called for a relaxation of exchange controls and a more rapid repayment of overseas debt.

Some Tory MPs charged the Government with a reckless desire to squander the benefits; only for Mr. Peter Walker to suggest that the sum was so insignificant—"equal to the deficit of two of our nationalised industries"—that it could scarcely have any impact.

"Did the Tories want to devote it all to tax cuts or not" Mr. Callaghan asked in apparent confusion.

The answer came in a bewildering assortment of nodding and shaking heads.

"What is there about this Government's shameful record that qualifies it to be entrusted with the distribution of these revenues?" Mr. Peter Rost (C., Derbyshire SE) asked from the Tory benches.

"If there were no better reason, it would be the fight of honourable gentlemen opposite," Mr. Callaghan replied amid Labour cheers.

Silkin backed on EEC prices

BY IVOR OWEN,

IN STRIKING contrast to the controversy which has surrounded him in the past, Mr. John Silkin, Minister of Agriculture, received almost unanimous backing from the Commons last night for his declared intention to stand firm against unjustified increases when the review of the EEC farm prices gets under way after Easter.

He promised to use Britain's full negotiating strength within the Council of Ministers to secure progress towards the basic objective of eliminating the structural surpluses in such commodities as milk, butter, wine, sugar, beef, olive oil and cereals, which have sprouted under the Common Agricultural Policy.

Mr. Silkin was obviously delighted to be able to announce the Government's willingness to accept a strongly worded amendment tabled by Labour backbench anti-Marketeers.

This toughened up a Government motion endorsing the aim of negotiating a price settlement taking into account the interests of consumers as well as producers by calling on Ministers to "insist upon the maximum restraint" on all CAP prices, especially those for commodities in structural surplus.

Mr. Silkin acknowledged the stronger wording by commenting that the spirit behind the amendment and the Government motion was the same—"an awareness of what requires to be done to amend the CAP, and a resolve that it shall be done."

Evaded

The amendments, which also won surprise declaration of support from Mr. Michael Jopling, Conservative front bench agriculture spokesman, urged the Government to press for an agreement with the EEC which would fully safeguard the Milk Marketing Boards.

The importance of this unprecedented degree of support for Mr. Silkin was underlined by the Minister himself when he said it would enable him to speak in the Council of Ministers "on behalf of a united nation against those who demand higher prices regardless of the real interest of the ordinary people of our country."

Mr. Silkin was strongly critical of the EEC Commission's report on the distortions caused by the system of monetary compensation amounts operated in relation to pigmeat. He described it as "very disappointing."

The report evaded the central issue, he contended, which was that an intervention price for pigmeat was purely theoretical. Pigmeat levies were based on cereals and—as with poultry—pigmeat monetary compensation amounts should also be based on cereals.

The Minister explained that so far, the Commission's only proposal was to increase the basic price of pigmeat by 3 per cent.—an increase which would have no direct impact on producers' returns but would increase the monetary compensation amounts.

"I have had no hesitation, therefore, in saying that I will not accept an increase in the basic price unless we get a change in the level of monetary compensation amounts paid on our imports."

Mr. Silkin also maintained that the conclusion reached in the main body of the report that monetary compensation amounts should be phased out over seven years side-stepped the real problem.

This, he said, was that the so-called common prices were based, in effect, on the German mark. The real level of "common prices" therefore varied with every fluctuation in the value of the mark.

Adjusted

"The report does not consider how the system could be adjusted to meet this problem or how common prices could be fixed in more realistic terms."

Mr. Silkin gave a broad welcome to the Commission's proposals on the Milk Marketing Boards but pointed out that a number of difficulties still had to be overcome. The requirement that 50 per cent. of production be consumed in liquid form was restrictive and there was also concern that too many producer-retailers would be allowed to opt out of the scheme.

But at least, he said, the proposals offered an opportunity for a secure basis for the Boards within the framework of Community legislation.

Mr. Jopling agreed with the Minister that it was wrong to have a policy which allowed production to increase regardless of the consequences. "It is a basic truth that farmers do not have a God-given right to produce more and more food which can neither be consumed at home nor sold abroad at sensible prices."

U.K. Cruise missile not planned —Mulley

Financial Times Reporter

THE GOVERNMENT have no plans to develop a Cruise missile or a successor to Polaris, Mr. Fred Mulley, Defence Secretary, told the Commons yesterday.

He was replying to allegations from Left-wing Labour MPs that, in spite of the Government's pledge not to proceed with a new generation of nuclear weapons, contracts have been placed with British Aerospace and other companies for studies of component parts of a medium-range weapon similar to the Cruise missile.

Mr. Mulley said studies and *component developments* were under way in industry on a number of missile projects. "They are to meet operational requirements and are quite distinct from our limited studies into Cruise missiles, which are to enable us to participate in NATO discussions on the defence potential and arms control implications of the systems."

A total of £120,000 would be spent in the next financial year on the Cruise missile studies.

Mr. Mulley assured Labour MPs that the Government intended to stand by its manifesto commitment not to proceed with development of strategic missiles.

"We have no plans to develop a Cruise missile, or a successor to Polaris," he said. "In our view *the existing Polaris fleet will be* effective for a number of years."

PM urges reflation of world's economy

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A RENEWED call for concerted international action to reflate the world economy was made in the Commons yesterday by the Prime Minister on the eve of his departure to Washington for talks with President Carter.

Mr. Callaghan was assured by Mr. Bryan Gould (Lab., Southampton Test) that the TUC gave full backing to the efforts he was making with President Carter to move the Western economies out of recession.

Mr. Gould said that the TUC made the distinction between the Prime Minister's constructive efforts and the "carping, negative destructive contributions" of Mrs. Margaret Thatcher, Opposition leader.

Mr. Callaghan replied that he was pleased there was agreement between the Trades Union Congresses of various countries that a stimulus was needed to the international economy.

"That is my view, too. I think a collective international effort is needed if we are to overcome the problems of unemployment," he declared.

Mr. Callaghan explained that his time in Washington would be taken up in discussing with the President the economic affairs of Britain, the U.S. and other nations.

He added: "I certainly think there is a prospect of us getting together with a number of other countries to try to restore some badly needed confidence in the economies of the world. That is my primary objective."

Mr. Edwin Wainwright (Lab., Dearne Valley) maintained that no matter how much we tried to boost the international economy, it would have little impact played their part. Therefore, it was particularly important that Britain should stimulate its own economy.

The Prime Minister agreed with this. He hoped that measures already announced by the Chancellor, and further measures he might be considering, would make our economy grow much faster this year than that of some other countries.

"*We do need an economic* stimulus throughout the world. We have to restore confidence. This needs a collective international effort. That is what we must agree on," he said.

● Mrs. Thatcher laughed off a remark by Mr. James Lamond (Lab., Oldham W.) that she had been inciting racial hatred and "even inciting mutiny among our Servicemen."

But later, after the intervention of the Speaker, Mr. George Thomas, Mr. Lamond withdrew his allegations.

Following a protest by Mr. Cranley Onslow (C., Woking), the Speaker explained that he did not intervene because he had noticed Mrs. Thatcher's reaction. "I did not get up because I saw her laughing," he explained.

But he added that such a reference was dishonourable, and should be withdrawn.

Mr. Lamond had asked if the Prime Minister's visit to the U.S. would be hindered "by the activities of Mrs Thatcher who, in her desperate search for power, is advancing blatantly vote-catching, divisive policies."

He claimed that the Tory leader was "stirring up the maximum discontent in every section of the population and inciting racial hatred, and even inciting mutiny among our Servicemen, on the basis that their pay has been held back by wages policy."

Mr Callaghan, hardly seemed to notice the remarks. He and the President would be too busy talking about economic affairs, "trying to restore badly needed confidence to the economies of the world."

Development Agency proposed

A BILL to establish a Co-operative Development Agency was formally introduced in the Commons by the Industry Secretary, Mr. Varley, yesterday.

During questions to the Prime Minister Mr. Ian Wrigglesworth (Lab., Thornaby), said that such an agency would make it easier for people to run their own enterprises. He was disappointed no proposals had been brought forward sooner

But Mr. Callaghan said that introduction of the Bill this week "just goes to show how swiftly we have moved."

Electric hand for U.K. trial

AN ARTIFICIAL electric hand designed in Sweden to meet the needs of disabled children under the age of five is to be tried out in Britain, Mr. Alf Morris, Minister for the Disabled, told the Commons yesterday.

Mr. Morris said that the hand was designed for children with limb deficiency below the elbow. It was not certain to suit all children and much would depend on the ability of the individual child, with professional help and parental support, to learn to use the hand and to persevere with it.

More haulage permits move

THE GOVERNMENT will be seeking further increases in road haulage permits for British heavy vehicles travelling through France in 1979, Mr. John Horan, Transport Under Secretary, told the Commons in a written answer yesterday. He said the 1978 quotas represented an increase of slightly more than 10 per cent. on the previous year. "We see no prospect of securing any further increase in this year's total."

Pay clauses explained

THE NEW PAY clauses in Government contracts apply to contractors and substantial direct sub-contractors for Government supplies and services, but not to suppliers employed by such contractors where such suppliers are not sub-contractors, Mr. Joel Barnett, Treasury Chief Secretary, told the Commons in a written answer.

He was replying to Mr. Michael Grylls (C., Surrey NW), who asked if the Government's new contracts containing pay policy clauses applied to all the suppliers of bar and sheet metal.

SNP candidate expects 5,000 majority

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE SCOTTISH National Party's candidate in the Garscadden by-election said yesterday that he was no longer going for a near win, but for a majority of 5,000 over Labour.

Mr. Keith Bovey, said in Glasgow, that the canvass returns confirmed the Marplan opinion poll finding of two weeks' ago which gave the Nationalists a 2 per cent. lead.

A private poll by the SNP to be published later this week, would reinforce this.

Mrs. Helen Liddell, secretary of the Labour Party in Scotland, described the Nationalist claim as "rubbish."

"We are benefiting greatly from Mr. Bovey's constant running-around seeking publicity."

Mr. Bovey said he would merely have to change places with Labour. He finished 7,000 votes behind the Labour candidate in October 1974 and beat the Conservative by a similar margin.

"The percentage of the vote promised to me puts me just about winning at this point. I am advancing by about one or two decimal points a day."

Unemployment is clearly going to be a major issue in the election, to be held on April 13.

The Nationalist and Labour candidates have announced moves following the announcement by Goodyear of 150 redundancies at its plant in the constituency.

Mr. Bovey has written to the Prime Minister asking him to speak to the Goodyear management during his visit to the United States this week.

Mr. Donald Dewar, the Labour candidate, met Mr. Gregor MacKenzie, the Scottish Minister responsible for industry, yesterday and said he would lead a deputation of shop stewards and union officials to see the Minister next week.

Proposals for Egyptian accounts payment

NEW ARRANGEMENTS for the payment of blocked bank accounts held by U.K. nationals in Egypt were announced by Mr. Frank Judd, Minister of State, Foreign Office, in a Commons reply yesterday.

Mr. Judd said that of the £E1,500,000 transferable through the special British Embassy account under the 1973 agreement, the sterling equivalent of £E1,049,000 had so far been paid out to the account holders concerned.

The Egyptian Government had informed the embassy last year that Egyptian pounds used for embassy expenditure could be purchased at a favourable "parallel market" rate of exchange, offering a saving in sterling costs of some 40 per cent., compared with the official rate of exchange hitherto used for embassy transactions and, accordingly, for sterling transfers to blocked bank account holders.

Mr. Judd added: "To avoid an unacceptable loss to public funds, it has been decided that the maximum use possible must be made of this favourable rate of exchange and all remaining payments to be made to account holders (totalling some £E450,000) will therefore be converted at the parallel market rate.

"Blocked account holders partaking in this scheme are being informed of this decision and are being given the option of accepting payment at the parallel market rate or of leaving their funds unused in Egypt, pending a possible re-negotiation of the 1973 agreement with the Egyptian Government."

Oram resigns

LORD ORAM, a Government Lord-in-Waiting, is to resign to devote himself to other political work. He has been Government spokesman in the Lords on trade and prices and consumer protection matters.

Lord Oram will continue to support the Government from the backbenches.

Law proposals

THE GOVERNMENT'S proposals on the law of contempt of court will be published as a Green Paper to-day, Mr. Sam Silkin, Attorney General, told the Commons in a written answer.

Busmen 'paid more than bomber pilots'

THE OPERATOR of a one-man double-decker London bus receives over £20 a week more than the captain of a Vulcan strategic bomber, Mr. Winston Churchill, Conservative defence spokesman said in the Commons yesterday.

Mr. Churchill said the bus drivers were being paid £130 a week while the bomber captains were being paid less than £110 a week. The Government should explain why forces' pay had fallen so badly behind civilian pay.

Mr. Tom Litterick (Lab., Selly Oak) commented: "They are not members of trade unions."

Dr. John Gilbert, Minister of State for Defence, said the forces had always had the maximum amount available under the pay policy. He accused Mr. Churchill of trying "to make cheap political capital out of it on every occasion."

When Tories inisted it was a "good point," Dr. Gilbert retorted: "Good but cheap." Mr. Churchill should say whether he supported the pay policy.

Mr. Robert Boscawen (C. Wells) asked how many servicemen's families in the U.K. were receiving means-tested rent rebates.

Dr. Gilbert replied that some 5,900 servicemen were receiving rebate under the services' rent and rebate scheme.

Mr. Boscawen said this was a disgrace and the Defence Secretary (Mr. Mulley) ought to resign. Even if servicemen got a 10 per cent. increase, the "poverty trap" would mean that it would bring them little comfort.

Dr. Gilbert said that Conservatives had still not indicated whether they supported pay policy or not.

Sir Ian Gilmour, shadow defence secretary, said: "We do not support any incomes policy that discriminates so outrageously against the armed forces."

Dr. Gilbert said: "It is absolutely scandalous for you to suggest that pay policy has been designed or operated to discriminate against the armed forces."

The forces had had the maximum amount possible under two consecutive stages of pay policy. It was not true to say everybody else had done better than servicemen.

Earlier, after Mr. Fred Mulley, Defence Secretary, had said that unions were not at present wanted among servicemen, Mr. Doug Hoyle (Lab., Nelson and Colne) challenged him to test the claim by allowing the unions full recruiting facilities.

"NATO forces with unions have far higher wages and salaries than ours," said Mr. Hoyle.

Mr. Mulley said such a test would be premature, before the forces knew what the unions could do for them. With existing legislation, that would be very little.

He reminded Left-wingers pressing for forces unions that their attacks on defence spending would mean shorter careers or redundancies for the servicemen themselves.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HEATING

Less goes up the chimney

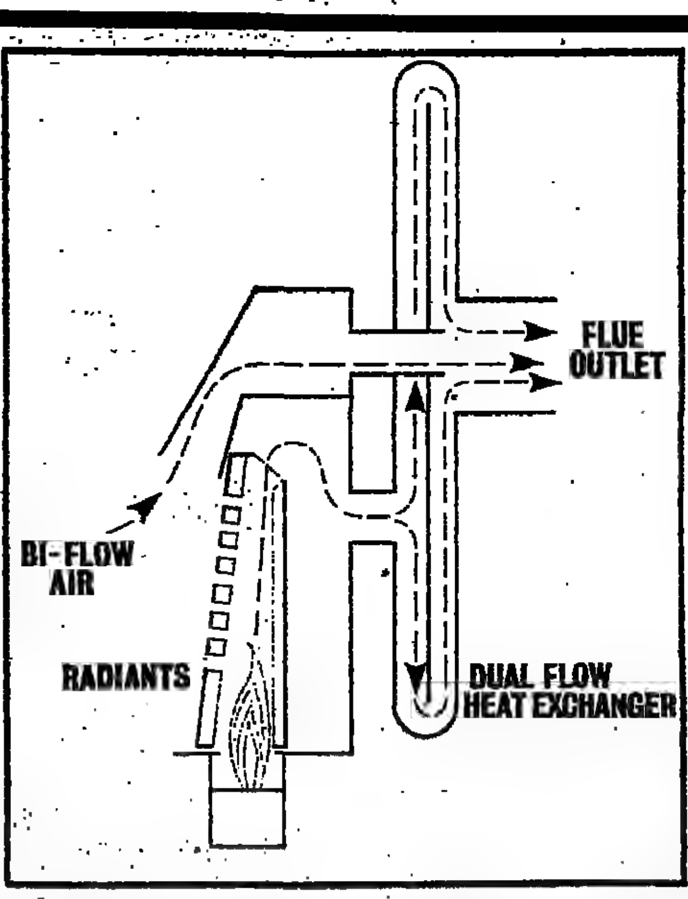
BI-FLOW heat exchangers which can cut heat losses to chimney flues in domestic gas fires by up to 10 per cent. will enable consumers to reduce their gas bills for the same degree of comfort and could change the shape of all gas fires in the future.

A development by heating technicians of the Valor group, the new, compact heat exchanger—a diagram of which shows how it operates—allows much more flexibility in the outward design of gas fires, permitting coal and log effects similar to those presented by some manufacturers of electric fires.

It will be fitted to the whole Valor range of gas heaters, resulting in models being both smaller and neater. But besides the advantage of reducing gas consumption, the development also keeps down the price of gas fires since a useful saving is achieved in manufacturing costs by standardisation of the heat exchanger throughout the product range.

The Valor team created the design to utilise the small radiants previously favoured throughout the gas fire industry. Fires incorporating the heat exchanger system have already been tested by British Gas at Watson House to the Safety Standard B.S. 5258, Part 5 and have been sales listed by the British Gas Corporation as having complied with their requirements for a high efficiency.

In the previous system increase in flue draught during windy weather caused large volumes of excess air to be drawn through the radiants and heat exchanger causing rapid cooling and loss of efficiency. With the bi-flow the room air and products of combustion are separated by a duct so that as flue draught increases, excess room air is drawn preferentially into the bi-flow duct thus allowing the heat exchanger to operate at optimum efficiency.



A saving in production is achieved by the elimination of spot welding and a reduction of operations in the general final assembly work.

Discussions are currently being held to sell the manufacturing rights abroad.

More information from Valor on 051-426 6551.

● INSTRUMENTS

Two more digitals

FURTHER OFFERINGS of digital thermometers are being made by two companies, Digitron Instrumentation of Hertford, and AWL Electronics of Altrincham.

Small size is the advantage claimed by Digitron: the model 4001 measures only 107 x 63 x 25 mm and covers the temperature range −50 to +999 degrees C., utilising type K thermocouples. Readings appear on a 0.3 in LED display and the unit has automatic linearisation, zeroing and cold junction compensation. Accuracy is ±0.5 per cent. of the reading. More on 0992 50353.

The AWL device has a range of −50 to +150 degrees C. and makes use of a semiconductor sensor and LCD display; accuracy is 0.5 degree C. The unit has no lead-connected probes: the single stainless steel probe plugs into the body and stows away into a compartment after use. Dimensions are 135 x 50 x 34 mm and the thermometer runs on silver oxide cells. More on 061-1941 1946.

● ELECTRONICS

Senses the infrared

MULLARD has developed a low cost infrared sensor which employs a ceramic chip as the sensitive element and utilises the pyroelectric effect to produce an electrical output generated by a change in temperature.

The sensitive material, which is suitably doped lead lanthanum zirconium titanate, itself a piezoelectric compound, was developed at Mullard's Salfords laboratory and is optimised for infrared applications.

Each device is mounted in a TO-5 can with an infrared window. The latter can be of silicon, which has a substantially constant transmission for wavelengths from one to 15 microns, or a daylight filter version which allows transmission only from 6.5 to 14 microns.

Electrically the detector behaves as an n-channel field effect transistor but connected across it is a high impedance non-linear element which limits progressively the pyroelectric voltage resulting from large changes in ambient temperature. An important result of this is that wanted signals can be obtained in conditions which would otherwise either overload the preamplifier or require it to have a very large dynamic range. Applications are expected in intruder and fire alarms, personnel sensors, radiometers and gas analysis.

More from Torrington Place, London, WC1E 7HD (01-580 6633).

Improved controllers

OTIS Elevator Company has decided to go over to advanced electronic controls for its lifts, starting with the product lines which are most often ordered.

Following a £½m. investment in test and production equipment, the company is applying large-scale integrated circuits of the CMOS type to lift control and it is thought to be the first instance of the use of this particular technology by a lift manufacturer.

Main technical advantages will be greater reliability and ease of maintenance. All components will be aged and functionally tested to aerospace standards and the elimination of electro-mechanical switching will result in more stable floor stopping accuracy.

Otis says there are about 120,000 lifts in the U.K. with electro-mechanical control relays, describing the movement towards electronics as "cautious but steady." However, the rapid advance in electronic technology and component complexity is making it difficult for lift manufacturers to decide whether the current state-of-the-art device will have a long life-time or whether it will be superseded very quickly by something much better that could give a competitor the edge.

Lift controls are already available using discrete logic and TTL logic. But because CMOS has better electrical performance the company says, it went for this solution.

Otis Elevator Company, 43 Clapham Road, London SW9 0JZ. 01-735 9131.

IN BRIEF

● Motorola has decided to second source the 3870 eight-bit microcomputer under an agreement with Mostek. In addition to the processor the chip carries 2048 x 8 bits of ROM and 64 x 8 bits of RAM, with four TTL-compatible ports. 01-902 8836.

● An integrated circuit audio power amplifier, CA2002, is announced by RCA, specifically designed for car radios and other mobile systems. The 8 watt class B amplifier can drive loads down to 1.6 ohms. Sunbury 85511.

● Marconi Communications Systems, able to offer a complete *manufacturing service for* printed boards up to 320 x 574mm, has become an approved manufacturer to the new Ministry of Defence sponsored specification BS 9000. 0245 53221.

● From Mullard comes a series of wideband hybrid amplifiers covering 40 MHz to 860 MHz, with choice of gain and output voltages. Typical application would be in masthead booster amplifiers for aerial systems. Gains range for 15 to 27 dB. 01-580 6633.

● ITT Electronic Services of Harlow has been *franchised* by HI-G relays to stock the complete range of 30 basic types. 0279 26811.

● COMMUNICATIONS

Keeps phone bills down

MADE by Fleet Electronics and marketed by Jupeter-Smith is a telephone attachment intended to make subscribers more circumspect in the use of the telephone, cut bills and allocate specific user charges where necessary.

The device, basically a timer, is switched on by a magnetic switch with components stuck to the handset and cradle and actuated when the handset is lifted.

Before dialling the call the user sets a 12 position rotary control, which takes account of the time of day (for peak, standard and cheap rate calls) and the charge band of the call to be made (local, up to, or over 35 miles).

An electromagnetic counter and LED display are initiated when the start button is pressed, the diode lamp display showing increments of one tenth of a unit and the counter full Post Office charge units. To arrive at the call charge the user simply multiplies by the current cost per unit.

More from 37 Redington Road, London NW3 7QY (01 794 4171).

● CONFERENCES

Choosing the battery

USERS OF smaller batteries who have the task of choosing the right power source for a specific application will have the benefit of expert advice from eight leading battery manufacturers during April at ERA's seminar "The Selection and Application of Batteries." Speakers at this one-*day event will be representing* Ever Ready, Varta, Crompton Parkinson, Mallory, Oldham, Chloride, Saft and General Electric (U.S.), and additional papers by other experts will be available.

The seminar and associated exhibition will take place at the Royal Garden Hotel, London, on April 27. Following an introduction by ERA director Stanley Steward, the morning session will be chaired by J. T. Heinson of the Procurement Executive of the Ministry of Defence and will examine "The present state of Leclanché batteries," "Alkaline-manganese versus conventional dry cells," "Special purpose primary batteries" and "Lithium sulphur batteries and their applications."

The afternoon sessions, chaired by ERA's managing director and chief executive Dr. Bryan Lindley, will feature papers on "Conventional lead-acid batteries," "Sealed recombining lead-acid batteries," "Batteries for standby power" and "Nickel cadmium for cordless power application."

ERA, Cleeve Road, Leatherhead, Surrey KT22 7SA. 0372374151.

● RESEARCH

Choice of lubricants

A RESEARCH programme jointly sponsored by the French oil company Elf Aquitaine and Renault to study how differing types of surface finish on metals affect the lubricating ability of oils is under way at Imperial College, London.

The work is being carried out with the aid of special-purpose equipment which can be used to study the behaviour of oils in any given system. Examples are lubrication of pistons and cylinder linings in diesel engines and of crankshafts and bearings.

This research is being carried out in the Mechanical Engineering Department's lubrication laboratory under Professor Alistair Cameron and it all stems from a study commissioned by the U.S. Army Tank Command.

Asked to discover reasons for recurring failures of piston rings in diesel engines fitted in armoured vehicles, the Laboratory initiated a study on how friction varies between bearing metals as a function of temperature.

To assess the compatibility of oils and metals at speeds up to 3,000 rpm, a machine was built in which a small section of piston ring could be vibrated at the required speeds, but with an amplitude not exceeding 0.5 mm so that frictional heat generated was small and temperature rise negligible. Results are measured optically by techniques developed by the laboratory.

Benefits resulting from this research could be two-fold, says Professor Cameron: *improved design* of components and machinery and better lubricants for specific tasks. More details of this work can be obtained direct from Imperial College (01-589 5111). It is understood that some of the equipment being used is to be made available commercially.

● AUTOMATION

Assembly is automatic

A RANGE of pneumatically powered fastening systems designed for semi or fully automatic assembly stations, or for simple hand-held operation, has been introduced by the standard automation products division of Consolidated Pneumatic Tool Co. 69, Brathway Road, London SW18 4BG (01-870 7321).

Capable of being applied to most threaded fastening operations, the systems can be supplied in single or multi-spindle arrangements, fixed or adjustable. The latter are re-positioned either manually, or where speed or frequency of change is required, automatically.

● PROCESSES

Gold layer stands up to wear

IMASA has introduced Acid Gold C a high efficiency, bright acid gold plating solution. Acid Gold C produces a 0.3 per cent. cobalt, gold alloy with a hardness of 140-180 VPN. *The deposits are* bright and of minimum porosity.

The process is cyanide based and uses cobalt for brightening and hardening the deposit. Good wear resistance is obtained in electronic connector applications.

Plated material shows remarkable resistance to lead contamination making it ideal for the edge contacts of through-hole plated printed circuit boards. At 8-10 gm/litre gold concentrations, consistent 50-55 per cent. cathode efficiencies can be achieved.

IMASA, 188 Bath Road, Slough SL1 4DU. Slough 28282.

Spray gun tracks its target

DEVELOPED by Berridge Engineering is a horizontal traverse painting machine intended for use in automatic spray painting processes and which can be used in conjunction with conveyorised production lines.

The spray head is chain driven along a rigid T-section beam which can be arranged to suit the job: it can be supplied up to 30 feet long and can be tilted at the driving end so that the gun can move up an incline to suit the continuous and complete coverage of any particular component.

The spray head itself is slung under the beam and the nozzle *can be made to spray* through any arc up to 90 degrees, positioned to suit the work. In this way a tubular item for example, moving along a line and rotating, could be properly covered down its length (due to the beam incline) and over all the curved surface. Head movement is controlled by pre-set stops.

As a result of the design only one gun (and so only one feed) is needed to cover most jobs.

Power is provided by a 1.1 kW electric motor, transmitted to the chain by hydraulic pump and motor.

Ultrasonic dewatering

DEVELOPED BY Ultrasonics (a Lucas company) in association with ISC Chemicals (an RTZ company), de-watering drying equipment which cleans components and leaves them stain-free and without residual films, uses ultrasonic agitation combined with special solvents.

The range of equipment provides compartment sizes from 6½ x 6½ x 6½ inches to 24 x 24 x 18 inches. It is intended for removing water from complex components with blind holes and capillaries, which tend to retain water.

Applications include cleaning of jewellery, electronics, instruments, etc.

Details from Ultrasonics, Otley Road, Shipley, West Yorks., BD18 2BN (0274 57411).

● MATERIALS

Metals for food plant

COPPER-FREE, a high nickel alloy developed in the U.S., called Waukesha 88, is now available in the U.K. from the Glasgow-based steel founder, Dewramet.

The alloy, which is wear and corrosion resistant, is stated to be particularly suitable for casting components that will be used in conjunction with stainless steel parts because it "beds" well with stainless, and does not gall, (which would leave a scored surface inviting to bacteria).

According to Dewramet, this makes the alloy attractive for the manufacture of good processing plant. *It can be used for* the fabrication of shafts, bearings, impellers, bushes, mixer blades, etc. The company says it can be machined and welded without difficulty, and cast components can be produced in weights from a few ounces to well over a ton.

Mr. E. Arrowsmith, Dewramet managing director, says that "apart from the important hygiene and safety factor, use of components cast in the alloy should cut manufacturing costs."

Details from the company at Mossland Road, Hillington Industrial Estate, Glasgow G52 4UD (041882 9001).

Panels help deaden the noise

WALL AND ceiling panels made from wood fibres bound with hydrated magnesium oxide and sodium silicate are the latest products of Thermo Acoustic Products of Verulam Road, Stafford ST16 3EA (0785 51424).

The panels are available in various thicknesses and sizes and because they deaden sound they are claimed to be particularly suitable for offices, restaurants and other premises where it is desirable to reduce noise. They can be cut to shape and spray painted and have high impact resistance. The panels are being marketed under the trade name Tectum.

Notice of Redemption

Copenhagen Telephone Company, Inc.

(Kjobenhavns Telefon Aktieselskab)

8% Sinking Fund Dollar Debentures Due 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 15, 1970 under which the above described Debentures were issued, Citibank, N.A. (formerly First National City Bank), as Trustee, has drawn by lot, for redemption on April 15, 1978, through the operation of the sinking fund provided for in said Indenture, $700,000 principal amount of Debentures of the said issue of the following distinctive numbers:

COUPON DEBENTURES OF $1,000. PRINCIPAL AMOUNT OUTSTANDING

[illegible]

The Debentures specified above are to be redeemed for the said sinking fund at the Corporate Bond Services Department of the Trustee, 111 Wall Street—2nd Floor, in the Borough of Manhattan, The City of New York, State of New York, the main offices of Citibank, N.A. (formerly First National City Bank) in Antwerp, Belgium; Nice, France; Paris, France; Berlin, Germany; Dusseldorf, Germany; Frankfurt, Germany; Hamburg, Germany; Munich, Germany; Athens, Greece; Piraeus, Greece; Thessaloniki, Greece; Milan, Italy; Rome, Italy; Amsterdam, Netherlands; Rotterdam, Netherlands; The Hague, Netherlands; Geneva, Switzerland; Lausanne, Switzerland; Lugano, Switzerland; Zurich, Switzerland; London, England; Belfast, Ireland; and Dublin, Ireland; Citibank (Belgium) S.A., Brussels or at the office of Privatbanken i Kjobenhavn, Copenhagen, Denmark; Algemene Bank Nederland N.V., Amsterdam, Netherlands; Kredietbank S.A. Luxembourgeoise, Luxembourg; Skandinaviska Enskilda Banken, Stockholm, Sweden; and Deutsche Bank A.G., Frankfurt, Germany, as the Company's paying agents, and will become due and payable on April 15, 1978, at the redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Debentures will cease to accrue.

The said Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date.

For COPENHAGEN TELEPHONE COMPANY, INC.
By CITIBANK, N.A., Trustee

March 15, 1978.

The Management Page

EDITED BY CHRISTOPHER LORENZ

THE SMOOTH running of the Civil Service is currently facing a severe challenge, not from disgruntled politicians or trade union extremists, but from the simple fact that from 1979 to 1983 four out of every ten top-ranking civil servants are due to retire.

This retirement bulge — a result of heavy recruiting in the late 1940s—is causing considerable concern in Whitehall because of its likely detrimental effect on efficiency. When this unusually large proportion of senior management is replaced by newly-promoted younger civil servants the problem will be to find administrators of sufficient calibre to fill the vacant posts. And since the retirement of senior management means rapid recruitment at lower levels of the organisation, it poses the threat that a similar "bulge" could follow in 30 years time.

Despite this concern last week's Government White Paper on the Civil Service failed to devote any attention to the problems of manpower planning in the largest and most labour-intensive centrally controlled organisation in Britain.

A retirement bulge is a classic problem of manpower planning. Ironically the Civil Service with almost threequarters of a million employees is probably the world's leading exponent of manpower planning. Its sophisticated computer models are used by a number of major companies to help plan their own use of manpower.

So what went wrong? Why did the Civil Service, with all the resources at its disposal, not foresee the retirement problem —and remedy it earlier?

The answer highlights the limitations of manpower planning—it can only offer alternatives of future human resources based on present assumptions. As with all computer-based models, it is only as good as the assumptions made: and these have to change with shifting circumstances.

Two years ago the Civil Service was growing at 3.5 per cent. a year—now, as a result of purely political decisions, it is contracting at a similar rate. Given a change of Government and a change of policies, the rate of growth is likely to fluctuate again.

It is also difficult to plan for such factors as the effect of pay policy. New statistics suggest that more civil servants are quitting than had been expected, contrary to Whitehall expectations that high unemployment in the economy would reduce Civil Service wastage. This is largely due to the higher pay levels now available in the private sector.

But while it cannot predict the future, manpower planning can help smooth out the basic fluctuations—such as a retirement bulge. And it is in this area that the sophisticated Civil Service computer models and methodology can come into their own, by illustrating the options available.

The cause of the bulge was the rapid expansion of the bureaucracy after the Second World War. This was followed by a period of low recruitment during the 1950s and then further rapid growth since the early 1960s. The result has been a "two-humped" age structure. There tend to be large numbers of young staff, relatively small numbers of staff

How the Civil Service is fighting the battle of the bulge

BY DAVID CHURCHILL

MANPOWER PLANNING IN THE PUBLIC SECTOR

in their late 30s/40s, and large numbers of Civil Servants over the age of 50.

The main effects are felt among senior grades of the Administration Group, which forms the bulk of the bureaucracy. Some 40 per cent. of civil servants in the Principal grade and above are due to retire between 1979 and 1983.

Of senior Executive Officers some 30 per cent. are due to retire. The bulge is concentrated at this senior level because retirement for top civil servants is at 60, compared with 65 for the bulk of the clerical grades.

Some specialist groups such as the Science Group have no serious age bulge problem because of steady recruitment.

Others, such as economist, statistician and psychologist groups, have age bulges of younger staff which will not form a retirement bulge for another 30 years or so. The departments most affected include the Ministry of Defence, Trade and Industry, the Scottish Office, Education and the Treasury.

According to internal Whitehall analysis of the bulge, the likely consequences are fourfold:—

- An exceptionally high turnover in some grades or jobs during the retirement peak, "sufficient to affect efficiency."
- Difficulties in finding enough "promotable" staff (that is, of sufficient quality and experience) to meet demand during a period of high promotion rates.
- *An increase in the demand for recruits.*
- The danger that heavy recruitment will create a new age bulge, eventually leading to a further retirement age bulge in about 30 years.

Coping with the problems of the bulge will be worsened, points out the Whitehall memorandum, by a period of no growth and contraction of the Civil Service before the retirement peak starts. "This could leave some grades poorly stocked with "promotable" staff to meet the higher promotion rates during the retirement run-out.", it says.

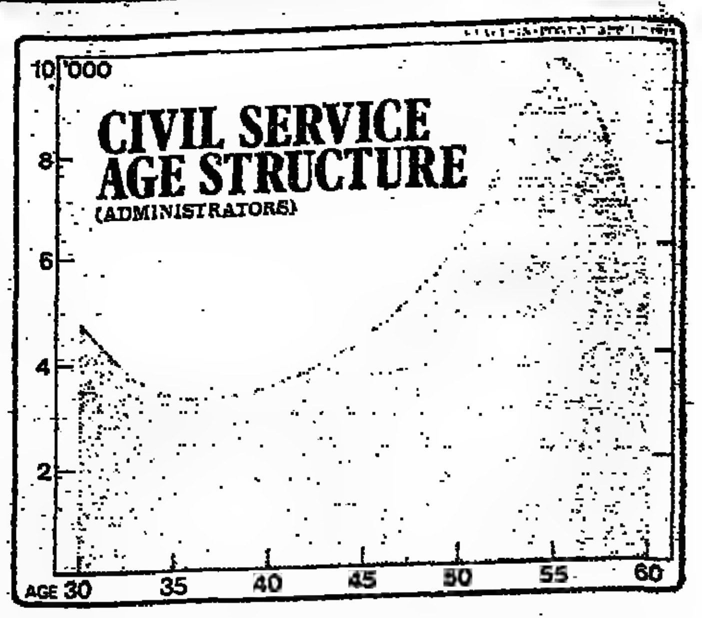
The bulge is being smoothed out in two ways. Since last spring, civil servants have either been taking voluntary early retirement or have been asked to stay on beyond normal retiring age.

The likely effect of various levels of early retirement is calculated through the model to see what changes occur at every grade before any decision is implemented.

Individual departments facing the "bulge" present the Civil Service Department with detailed computer-generated models of the specific results of both delayed and early retirement, and the potential effect on promotion rates and availability of managers further down the hierarchy.

In practical terms, early retirement is the most feasible policy as delaying retirement until the end of the bulge depends on too many in between factors, such as ill-health or a refusal to work longer when the time comes. Thus Civil Servants who opt for early retirement are offered lump sum compensation plus their index-linked pension. Not surprisingly, there has been no shortage of volunteers.

The models and methodology used by departments in smoothing the effects of the bulge have mainly been developed since the late 1960s. The first model of a Civil Service "class" was programmed and run on a computer early in 1969. But, according to the authors of a recent comprehensive study of Manpower Planning in the Civil Service (HMSO, £10) "this gave only a glimpse of what could be done." More work was necessary especially in establishing valid statistics before more sophisticated models could be developed.



Management confidence also had to be won before real progress could be made. One way of doing this might have been to try to offer managers extremely detailed and 'lifelike' models of their manpower systems. "However," the Civil Service manpower experts point out, "an actual manpower system is so complex that its underlying structures are even now not fully understood in detail.

"Thus, any attempt to produce a highly realistic model quickly would have been almost certain to fail, and the complexity of the result would have been confusing rather than enlightening." Instead, the models constructed initially were fairly simple, concentrating on what were felt to be the most important aspects of the system.

As soon as management accepted the reliability and usefulness of these simple models, which were based on easily defined assumptions, further elaboration of the models followed. The first major model to be developed was called KENT (after the university where it was developed). This was extremely simple in its concept, dealing only with the age of future manpower and different grades—not seniority or length of service—but its very simplicity meant that results were easily verifiable from a commonsense point of view.

To provide good basic data of personnel records for the subsequent, and more sophisticated models, a separate model called PRISM, was established. Linking together the manpower models with PRISM through a network of computers and terminals, is an integrated system called MANPLAN. This provides the manpower planners with facilities for carrying out sensitivity analysis for linking the models to run a complete manpower planning exercise in sequence, and for carrying out regular revisions of operational studies at the "press of a button" whenever new data becomes available.

The system includes a graph-plotting visual display, which is useful in conference settings to illustrate assumptions and alternative policies. The MANPLAN model is commercially available and is being successfully used by a number of large companies. Whitehall has high hopes for manpower planning, not just to overcome problems such as the retirement bulge, but also to improve promotion prospects and working conditions for staff. As Peter Jones, secretary of the joint management and unions negotiating machinery, points out, the first ever Civil Service strike was not over pay. "It was in the DHSS in 1972, over inadequate staffing and pressure of work. It has happened since, and it will happen again, so the manpower sums have got to be done properly if serious discontent is to be avoided."

Not just a crisis measure, more a way of company life

MANPOWER PLANNING IN THE PRIVATE SECTOR

MANPOWER PLANNING in the private sector is usually introduced in response to specific problems or a short-term crisis, according to a new survey of 12 companies using manpower planning techniques.

But the survey, published jointly by the Manpower Services Commission and the National Economic Development Office, found that most companies tended to keep and develop manpower planning once the immediate difficulties were past.

The definition of manpower planning used in the survey involves "a continuous process of planning and adapting manpower to changes in international product markets, labour markets, technology, and national economic and social policies."

The survey was carried out at the suggestion of the Chancellor of the Exchequer to provide some case study material on company manpower planning in practice. A considerable amount of information about the theory and techniques already existed, but little was known about how manpower planning systems actually worked at company level.

Twelve companies, who are not identified, were chosen as practical examples from a wide range of industries, employing between 2,000 and 101,000. The research was not so much concerned with the techniques used as with the application of those techniques, and the most effective organisational structure.

Most of the companies in the survey regretted that they had only introduced manpower planning as a response to a short-term problem. Some were forced into action because of surplus manpower due, for example, to a merger. A few, however, needed to provide adequate future supplies of skilled manpower, including managerial staff.

But all the companies recognised that a continuing commitment to manpower planning was worthwhile. The survey report points out that a short-term "hire and fire" policy, which is the opposite extreme to a manpower planning approach, can impose serious constraints on a company, apart from the immediate costs of redundancy. These costs include the loss of a skilled labour force and the subsequent need to recruit and train new staff.

Evidence from the case studies shows that the main requirement for an effective manpower planning system was an adequate supply of data. For this, information is needed on individual characteristics of employees, such as age, skills, location, as well as overall labour force trends, such as absenteeism and earnings.

A number of companies made use of computer simulation models, in particular for forecasting manpower trends within the organisation. But, the report maintains, such models are by no means necessary for manpower planning. "What is required is a methodical approach to analysing available manpower information and identifying likely future trends." Yet, as the Civil Service has found, it is difficult to plan for large numbers without the use of a computer.

Any means of manpower planning, however, includes a considerable degree of uncertainty. But the companies studied did not regard this uncertainty or the difficulty of forecasting as a reason for not planning manpower in a systematic way.

"Manpower planning enabled them to foresee changes and identify trends in the labour force earlier than would otherwise have been possible. This meant that employment policies could be adapted in good time so as to avoid major problems."

There are a number of ways in which short-term manpower adjustments can be made to be in line with business requirements, the report suggests. These include shift and overtime working, internal redeployment of manpower, altering delivery dates, and changing stock levels. If jobs have to be cut, this can be achieved through natural wastage.

Manpower planning was generally a staff, as opposed to a line management, function, and among the companies surveyed it was usually the responsibility of the personnel or industrial relations department.

The main benefits to the companies in the survey of effective manpower planning systems were:

—greater awareness of current labour force trends and their possible future consequences;
—a better understanding of the implications of alternative employment policies;
—improved controls against plans and budgets;
—a basis for meeting current and future legislative requirements.

The case studies raised a number of basic practical issues. The commitment of senior management is essential if manpower planning is to be given the right degree of priority. In putting systems into practice there is a need to identify where the responsibility should lie. But it should not be carried out as a technical exercise by specialist managers: employees and union representatves should be involved in the process.

The studies illustrate clearly, says the report, how the techniques of manpower planning can make a significant contribution to business performance for a diverse group of companies.

Case studies in Company Manpower Planning, £2.74 including postage from NEDO Books, 1, Steel House, 11 Tothill Street, London, SW1H 9LJ.

D.C.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Assets and liquidation

Where a company has a nominal capital of £100 and the remaining assets belong solely to the shareholders, could not they be paid to them without the formalities of a liquidation? Could not the company simply be struck off the Register?

There is nothing to prevent the termination of a moribund company by allowing it to be struck off the Register pursuant to Section 353 of the Companies Act 1948—and this course is frequently adopted. You cannot however transfer assets to the shareholders (without consideration) otherwise than in the course of a formal winding-up. The company's assets must therefore have been disposed of properly before striking off is incurred.

Development planning

I bought an old building in 1972 with planning permission to demolish and rebuild. I now wish to go ahead, but the Planning Authority states that the permission has lapsed. But is not the demolition of the old building the commencement of the project for which I obtained permission?

The time limit for the commencement of development under a planning consent will be defeated if a "specified operation" has occurred within the time limit. Section 43(2) of the Town and Country Planning Act 1971 sets out the matters which constitute specified operations. Mere demolition is not one of them.

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FINANCIAL TIMES SURVEY

Wednesday March 22 1978

FOUNDRIES

Spending for the future

By Kenneth Gooding Industrial Correspondent

Severe bottlenecks in supply have hampered foundry profits in the past. But as a result of the present modernisation efforts the industry is more confident of being able to match future demand.

OF ALL the key U.K. engineering sectors the foundries are probably doing the most to bring themselves up to date and therefore prevent in future those severe bottlenecks in supply which put such a brake on the output of many of their customer industries during past period of booming demand.

After many years when the foundries did not spend as much as they should have done on modernisation, they are currently going through a phase when expenditure will reach at least £375m. over the next four years.

The big spending is only part of the picture. The foundries are also taking the opportunity to introduce better management methods and to improve the transfer of technology within the industry.

For example, one of the major problems in the past has been that the industry, made up as it is of many smallish foundry companies which are often subsidiaries of bigger groups, has in the bad times indulged in severe price-cutting. However, the boom periods have not been very profitable either. In most cases the individual foundries find themselves in the position of the small supplier dealing with a big customer and a customer which often did not hesitate to lean heavily when prices were being discussed.

As a result the industry has not made the profits it needed if it was to invest adequately in new equipment. Even a modern foundry can be noisy, dirty and sometimes dangerous. One that has been allowed to run downhill for many years can present appalling working conditions.

But a recent innovation in the industry is a service offered by the Ironfounders National Association which gives the "national average cost" of producing particular types of castings. Subscribers to the service put their own details into the system and can see how their own performance matches up to the "national average." This obviously goes one better than the more usual method of judging a foundry's performance by looking at the financial ratios of other companies in the industry. Any foundry management which finds its own costs apparently well out of step with the "national average" for the particular castings its plant produces will obviously want to know why.

Suspicion

Perhaps more important, by permitting small foundries to get to grips with their real costs, the service should have an impact on prices. In the past there has been a suspicion that some foundries have not been aware of their true production costs and have cut their prices below that level.

As a result of the modernisation efforts which are going on, the foundry industries are confident that they can match future demand in the medium term at least (although, naturally, there could be the odd area where the right balance will not be achieved).

However, there is one big difficulty at the moment when it comes to forecasting what the future has in store for the iron and the non-ferrous foundries. The U.K. motor manufacturers, between them representing the biggest individual market for castings, are not (not) keeping the foundries informed about their future demand.

Both the foundry sector working parties involved in the industrial strategy programme at the National Economic Development Office have complained about the situation in their recently-published 1978 progress reports.

The ferrous foundry "Little Neddy" pointed out that "a particular problem is that high volume casting capacity needs to be planned and dedicated to serving this (automotive) market, if full productive performance is to be achieved. The absence of a dialogue with customers, including discussion of their plans for in-house production of castings, has caused great uncertainty among independent foundries as to their investment plans. The fear is that without a better planning dialogue, over or under-capacity will result in this sector."

The in-house plans of Ford and British Leyland are of particular importance to the industry as between them their foundries already account for perhaps one third of the volume of automotive castings produced in the U.K. Any significant expansion of contraction of this capacity would leave the independent suppliers struggling unless fair warning was given.

Mr. David Atkins, the new chairman of the Council of Ironfoundry Associations, wrote recently to Mr. Michael Edwardes, British Leyland's chairman, pointing out that the delays in a decision about Leyland's foundry business have put some of the CFA members in a difficult position because they plan significant investment with the help of the Government's aid scheme.

"Many of them are in the automotive sector and they now face crucial decisions as to whether to proceed with their plans or to modify them in the light of the changed market. We know that British Leyland's vehicle production targets have been changed dramatically but we do not know if the foundry plans are now being related to the achievable vehicle output.

"We want as an industry to be in a position to be able to back British Leyland with adequate supplies of castings in the future, but we fear some of our members may take the wrong decisions now because of the continued delay in taking a decision about British Leyland's foundries."

NEDO has attempted to get a reasonable idea of what might be expected of the suppliers of automotive castings and sought estimates of castings demand to 1980-81. This projected a growth of demand of about 30 per cent. on 1976 levels. However, "the industry is not (not) convinced that this estimate is reliable and . . . would wish to establish better contacts with this major customer sector."

It is not only the automotive industry which the foundries serve. They supply a wide range of industries and their importance is disproportionate to their size in terms of either output or employment.

While the different types of foundries face many common problems—such as Health and Safety legislation, anti-pollution laws and difficulties with manpower and recruiting, the technology employed by each type of foundry is different and so too are some of their markets and prospects. While the automobile sector is the most important customer for the iron foundries, for example, it is of little interest to the steel foundries whose best customers are manufacturers of construction equipment and of valves.

The main metals used in non-ferrous castings are aluminium, and zinc and copper alloys while the important markets are the motor industry, construction and domestic hardware and general and electrical engineering.

Depressed

The iron foundries employ about 81,300 people and have an annual ouput worth roughly £850m. The steel foundries have 20,300 employees and an output worth £175m. The non-ferrous foundries employ 34,300 and produce castings valued at around £300m. a year.

The 1977 performances reflected not only the depressed state of world trade in manufactured goods but also the failure of the U.K. automotive industry to match demand because of industrial disputes among the manufacturers and their suppliers. It is estimated, for example, that production of 400,000 cars was "lost" last year because of disputes either inside or outside the indusrty.

As a result, production of iron castings last year fell to the lowest level since the war. Output at 2,795,000 tonnes represented a drop of 5.7 per cent. on the 1976 level and was the fifth successive year in which production had fallen.

Steel castings output also dropped just over 5 per cent. on the 1976 total, from 246,579 tonnes to 234,012 tonnes. The two main markets, construction equipment and valves, were stable but there was a fall in demand from manufacturers of cutting, grinding, pulverising and dredging machinery, from the general engineering sector and from companies involved in defence work.

This represented the third year of recession for the steel foundries but so far this downturn has not been the unmitigated disaster they experienced in the previous trough in 1972 which was less prolonged but much deeper. The industry capacity is around 300,000 tonnes. With output at around 235,000 tonnes the foundries can survive although they don't make much money. When output sinks to 210,000 tonnes, that represents disaster.

The feeling in the industry is that if demand does not go down any further from the 1977 level then the foundries can continue to survive. No significant improvement is expected for 1978, however.

It is unlikely that output of non-ferrous casting showed any growth in 1977. According to estimates by the Bureau of World Metal Statistics, production of aluminium castings in Britain last year remained about the level of 1976 at 120,000 tonnes. Production of copper castings probably fell slightly from 66,000 to 65,000 tonnes while output of zinc castings might have risen a little from 60,000 to 61,000 tonnes.

As for the short-term future, the Ferrous foundry sector working party has produced what it describes as "prudent forecasts based on what may be reasonably assumed at the present time." These forecasts are for a modest increase of 5 per cent. on 1976 output by volume by 1980 and 6 per cent. by 1982. "These forecasts will need to be monitored and the forecasting base improved," the working party warns.

It points out that forecasts beyond 1978 are "highly tentative" and that they assume a cyclical upturn in the economy to a peak in 1979 and again in 1982-83 with an underlying growth rate in U.K. gross domestic product in 1978-79 of about 3 per cent. "Hopefully the general economic situation will improve at a rate which will permit higher growth, but the industry cannot currently be described as one with major growth potential."

Very little, if any, increase in total employment by the ferrous foundries is foreseen for the years to 1982. But even so manpower constraints might arise because of the changing mix of skills the industry requires.

The working party maintains there is a danger that smaller foundries which provide an invaluable service by producing small batches of one-off castings for a wide range of engineering customers will find it increasingly difficult to survive.

In this connection, the Council of Ironfoundry Associations estimates that a further 16 iron foundries shut down during 1977 left an estimated 714 still in operation. The steady process of closure has been going on for many years. In 1962 there were nearly 1,400 iron foundries. Over the same period the numbers of steel foundries has dropped from 115 to 74. According to the Steel Castings Research and Trade Association, there were two small foundries closed in 1977.

The non-ferrous foundries working party has not been able so far to produce any forecasts about future volume requirements and admits "the fragmented nature of the industry and the absence of reliable statistics in some areas means that we have a recognised lack of knowledge about our market place." It is taking steps to tackle this problem but says the collection of improved data will take some time.

Dependent

"This work can, drawing upon the on-going work of customer sector working parties and other sources, lead to a much improved data base on which investment and manpower decisions can be made.

"Historically there has been insufficient dialogue with customer industries and the industry has been dependent on the short-term cyclical behaviour of its customers and has had to respond after their changes in demand with little advance warning. It is in this area in particular that the working party hopes that the industrial strategy will provide the opportunity for much improvement."

That said, however, the non-ferrous foundries have had

CONTINUED ON NEXT PAGE

FOUNDRIES II

Aid schemes for the industry

THE GOVERNMENT is pumping £100m. into the foundry industries by way of grants to stimulate investment by the foundries themselves. There will be £80m. for the ferrous and £20m. for the non-ferrous foundries. The latter might possibly get more if the demand arises.

The ferrous foundry aid scheme is much further down the road than non-ferrous in that its closing date for applications was at the end of 1976 while the non-ferrous scheme did not open for business until January 1. 1977. The ferrous scheme is also by far the most successful of all the Government industry aid schemes—if you measure success in this context by the numbers of applications, the money on offer and the potential investment stimulated.

By the end of February this year the Department of Industry had sifted through enough applications to make 368 firm offers of assistance. These involve grants totalling £74.2m. and represent capital expenditure of £338.2m. by the recipients. A further 15 applications had been completely approved. These represented grants of £4.5m. towards projects costing £19.6m. Three more applications were "under appraisal." And it left only £1.3m. in the Department of Industry's "kitty."

By all accounts the civil servants dealing with the applications were reasonably helpful but also reasonably realistic in their approach demanding strong evidence of the financial viability of each scheme coupled with closely-argued market forecasts.

This undoubtedly had a beneficial side-effect on some of the industry's smaller members who had to look at their proposals in a thoroughly disciplined way and produce the kind of market and cash flow forecasts that perhaps would not be their usual style.

The fact that the Department of Industry men were not simply there to hand out public money to anyone who asked but insisted on knowing that there would be a respectable return on the investment is amply illustrated by the fact that 47 applications were rejected outright and there is no doubt that many of the 63 which were withdrawn were taken out of the running because potential rejection was in the air.

One obvious reason for the success of the scheme is that the industry was faced with radical changes in anti-pollution legislation. This has recently been postponed again and is not due to bite for another few years but in the meantime the foundries have been affected more than most industries by the Health and Safety at Work Act.

Four years ago the Council of Ironfoundry Associations estimated that the industry needed to find an extra £60m. to comply with existing health and safety legislation and future pollution control laws. This compared with the annual £20m. the industry had been spending.

The U.K. Government could not offer any direct assistance because it remains committed to the principle that "the polluter pays." However, the industry aid scheme provided a neat way of offering assistance of this type. It was originally estimated that between 25 per cent. and 30 per cent. of total expenditure by the foundries would go towards environmental improvements but first analyses suggest these percentages will prove to be too high.

Satisfied

This leaves a percentage much greater than expected to be applied in efficiency and other improvements and explains why the Department of Industry has been so satisfied with the outcome of the scheme.

However, now that the rather hectic period when applications were being rushed in has passed, some questions are being raised about potential problems. There have, for example, been suggestions that the aid scheme will produce over-capacity or that the investment will all be in vain if the trade unions do not permit more flexible working arrangements when new equipment and methods are introduced. And some in the industry wonder whether all the grants will actually be taken up in the long run.

On this latter point, it would certainly not be surprising to find some companies hanging back before finally committing themselves to projects for which grants have been allocated. To start with, when they drew u ptheir schemes most companies must have assumed that the U.K. economy and world trade in general would by now be well into a new upswing rather than trapped in seemingly endless recession.

Another factor is that the Department of Industry has been giving details of grants allocated at frequent intervals and this has enabled companies to get a much clearer idea of what their rivals have in mind in the way of extra capacity. Some rethinking might be stimulated by this information.

Projects attracting non-ferrous foundry grants must be completed by August 1980, a date which does not give too much leeway but certainly permits the pause for thought which could be taking place in some applicant companies at the moment.

On the question of the aid scheme encouraging over-capacity, the Council of Ironfounders Associations is adamant: this will certainly not (not) be the case in the iron foundries.

It is true that the iron foundries which have made applications on average expect to add around 20 per cent. to capacity. But only half the foundries are involved, which indicates only a 10 per cent. total addition to capacity, an addition which could easily be absorbed although there might be problems in specific areas.

The story with the steel foundries is slightly different. Around 95 per cent. of steel foundries have applied for grants and would also expect to add an average of 20 per cent. to capacity. Whether or not all this really is required has been the subject of some debate.

But the Steel Castings Research and Trade Association (SCRATA) argues that "average" capacity increase figures are meaningless. The important point is that individual foundries will be spending a great deal of their own cash on the modernisation projects in spite of the grant scheme. So those individual foundries must be trusted to be the best judge of what capacity they require.

The formal objectives of the industry aid schemes for both ferrous and non-ferrous foundries are to accelerate the modernisation of plant and improvement of working conditions, to promote the most efficient production methods, to encourage a more extensive use of modern management techniques and enable the industries to attract and retain labour.

Applications for the non-ferrous scheme will be accepted until July 31 this year and projects must be completed by March 31, 1981.

Companies are offered a grant of 25 per cent. of eligible costs for investment in plant and machinery for projects costing at least £25,000. There is also a grant of 15 per cent. of eligible costs for investment in buildings—the minimum project size in this case is £50,000.

There is also assistance for projects involving elements other than investment in plant, machinery and buildings. For example, rationalisation or merger projects. This will normally take the form of an interest relief grant, although, in some cases loans will be made. Once again, the minimum project size is £50,000.

Projects aimed solely at anti-pollution or environmental control measures are not eligible and total assistance under the scheme and regional development grants together should not exceed half the total costs.

For small companies, a grant of 50 per cent. of approved consultancy fees will be considered.

By the beginning of February this year, the Department of Industry had made 40 offers of assistance involving potential grants of £3.422m. towards projects with a total cost of £16.836m.

A further 60 applications were being studied and, if approved, would produce estimated grants of £4.222m. towards projects involving a combined outlay of £18.48m.

Kenneth Gooding

Future

CONTINUED FROM PREVIOUS PAGE

some indications about the future from important customers. Market research so far indicates that there will be a 50 per cent. increase in demand for aluminium castings for the automotive industry in the period 1976 to 1980-81. But the percentage of castings to be provided by the motor manufacturers themselves will rise from 19 per cent. in 1976 to 26 per cent. in 1980-81.

There has also been an initial report about the supply of zinc and aluminium die castings for the domestic electrical appliance industry on which some more work has to be done. But it indicates an increase in the range of 2½ to 10 per cent. in aluminium diecasting needs by 1982 and in the range of 10½ to 17 per cent. for zinc diecastings.

The ferrous foundries "Little Neddy" and the non-ferrous foundries sector working party are in the process of merging into one Economic Development Committee (EDC). It is obvious that there is still much work to be done in improving forecasts with the help of major customers.

In effect, the foundries of all types are saying to engineering at large, "let us know what you require of us and we will do our damndest to provide the goods. And we are willing to spend money to put ourselves in the position to give you what you need. At the same time, we need to make a fair return and get reasonable prices for our products."

Expansion at British Leyland

BRITISH LEYLAND'S £109m. foundry modernisation and expansion programme is one of the main casualties of the review of capital spending initiated by Mr. Michael Edwardes, the new chairman. The acute cashflow problems which confronted him on his arrival last November, coupled with the need to phase down production programmes in line with the reduced market share, made foundries an obvious candidate for economies.

Preliminary estimates drawn up within the group suggest that no more than £46m. will be allocated over the next five years a ceiling which will allow it to do little more than bring its existing foundries up to the environmental and safety standards now demanded by legislation.

Plans for a new ferrous foundry on a greenfield site at Wellingborough, which would have cost £64m. according to some estimates, have undoubtedly been shelved. However, there is considerable speculation within the industry that Leyland may seek to press ahead with its aluminium processing plant close to West Yorkshire Foundries at Leeds. Any scheme considered would have to be scaled down from the ambitious original £27m. project.

The investment and production intentions of Leyland are of great importance to the foundry industries because the State-owned concern is not only one of the largest purchasers of castings but also the owner of a significant proportion of productive capacity. It accounts for around 10 per cent. of U.K. capacity in the ferrous sector and 6 per cent. in aluminium.

The corporation's importance as a customer was highlighted by Lord Ryder in his report of April 1975 when he pointed out that Leyland provided only 54 per cent. of its own grey iron requirements and 20 per cent. of aluminium needs. He singled out foundries as "the main area in which capital under-provision is most in evidence." and recommended £50m. of new investment at 1975 prices. Such spending was necessary because productivity levels were less than half those of plants using more modern equipment.

It was on the basis of such thinking that Leyland drew up its ambitious foundry strategy. Central to the programme were the Greenfield sites at Wellingborough and Leeds. Given the fact that existing plants had been starved of investment and were largely outdated, it was thought necessary to start afresh in establishing foundries able to achieve the output volume and efficiency of European competitors.

Wellingborough was envisaged as the main centre for the ferrous casting of engine blocks and cylinders—a development which would inevitably have meant some rationalisation of the corporation's facilities at other sites. The foundries at Coventry Engines, employing around 400, and Longbridge. Birmingham, with 330, were scheduled for possible closure. Beans, at Tipton, would have lost some work to Wellingborough but capacity was to be retained.

The new aluminium foundry at Leeds, with a scheduled capacity of around 18,000 tonnes a year, was seen as the necessary response to the trend towards greater use of light metal components, particularly the aluminium cylinder head.

Freeze

As recently as 12 months ago Leyland management was busily developing the detailed plans for the new foundries, both of which were expected to start to come on stream by 1980. But then came the disastrous month-long toolmakers strike, subsequent financial crisis and investment freeze.

Mr. Eric Varley, the Industry Secretary, eventually gave the go-ahead for the £280m. investment to provide a new small car to replace the Mini, but he remained silent about the wider business plan which envisaged a 32 per cent. share of the U.K. car market and an annual output of around 1.2m. vehicles by the early 1980s.

Such ambitious production plans were knocked seriously off course last autumn by the Lucas toolworkers' 11-week strike and other production hold-ups. Mr. Edwardes quickly reached the conclusion that only drastic action would be sufficient to stem the outflow of money and give the corporation the chance to become viable. Accordingly he told management and unions this February that sales during 1978 were unlikely to be any higher than 819,000 cars. Indeed estimates circulating within the company suggest that the U.K. market share over the next five years will remain at around 25 per cent., with production running at an annual level of 800,000 to 900,000 vehicles.

Clearly, on such volume forecasts the case for heavy investment in new foundry capacity is undermined. But there are senior executives who argue that modernisation of foundry facilities is fundamental to the long-term competitiveness of the operation. Improvements in the standard and consistency of castings are an obvious first step in the drive to raise the quality and efficiency of products. Another argument advanced by advocates of the foundry programme is the need for the corporation to retain an important presence in new technology in an area where considerable progress is being made.

Valid as such viewpoints may be, Mr. Edwardes was confronted with a fundamental decision about priorities. Given the failure of the company to generate the profits necessary to help fund new investment, he had to look for capital savings. In the short term he must seek to regain market share and profitability, an effort which requires resources to be directed towards face-lifting and improving the existing model range, and expanding output of successful cars like the Rover. Work will also press ahead on bringing the new small car into production and developing a middle range vehicle code-named the LC10.

The decision to confine investment not to the desirable but merely to the absolutely essential has meant a fundamental reassessment of foundry policy. Obviously, if Leyland achieves a surprising turnround in performance involving greater market penetration, volumes and profitability, it would be possible to reinstate a more ambitious programme.

The immediate problem for management — and intensive studies are already under way —is how to maximise output and quality from the existing plants. The possibility of a rationalisation of facilities with the available finance concentrated on two or three foundries rather than spread thinly across all seven cannot be ruled out.

The Longbridge foundry, where around £4m. has recently been spent on an important modernisation project, now seems unlikely to be considered for closure. Investment has also gone ahead to improve the standards and efficiency of the Beans undertaking.

But it is on the issue of a new aluminium foundry that the trade unions are likely to take the strongest line. Shop stewards gave their full support more than 12 months ago to the Leeds project and now argue that Leyland must provide new capacity in what is a growth area.

There is a strong view within management that the corporation should move fairly quickly towards the provision of aluminium cylinder heads on the small cars. Technical arguments about the merits or otherwise of the metal continue, but Leyland executives argue that its lightness and the contribution it makes to engine performance and efficiency justify the change.

Demand

The shop stewards point out that while the trend may be towards aluminium, the result of such a development will be a reduction in demand for ferrous castings. Mr. Tom Stewart, the union chairman of the foundries sub-committee established under the worker participation machinery, is emphatic: "One of the reasons we are supporting a new aluminium facility is to ensure the continued importance of the foundries as in-house suppliers of castings. We have made it clear to management that we will resist any move to place existing work with outside companies."

The balance between castings which Leyland produces in-house as opposed to purchasing from the private sector is obviously an important issue for the foundries industry. Lord Ryder recommended in his report that consultations should be held between the State corporation and the industry. Both the National Enterprise Board and the Department of Industry have taken an interest in monitoring progress in order to ensure that plans are integrated and that excess capacity is not created.

Despite such efforts, the constant complaint of the private sector has been the uncertainty created by the failure of Leyland to announce firm details about its foundry programme. The group is such an important supplier and purchaser of castings that its actions influence the confidence and investment decisions of other companies in the industry.

Whatever the consequent frustrations, the industry is likely to be forced to wait while Leyland management continues its detailed studies of the foundry programme. The cut in capital allocation and reduced car output forecasts mean the reappraisal now underway will have to be thorough.

Arthur Smith

The high-pressure die-cast cylinder head for Leyland's six-cylinder Rover 2300/2600 series engine, made by Associated Engineering's Aeroplane and Motor Aluminium Castings subsidiary.

The rewards of exporting

AMONG THE foundrymen exporting has been an uneven mixture of hope, frustration, pride and hard-headedness. Frustration seems now for many to be elbowing its way to the front. As the pound strengthens and the dollar weakens the future is clearly going to depend even more heavily on quality, technical ability and marketing competence. "There's still a bit of room to manoeuvre on prices, but it's getting precious little," said one non-ferrous castings exporter. "It's going to need great persistence to hold on to the gains we have made in the past two or three years and even more drive to push them up."

The export of castings is a comparatively recent phenomenon. It was entered into partly as a patriotic duty, but much more because the motor industry, for one, which takes a third of all iron and aluminium castings, was taking a beating from foreign competition and through disruptions caused by industrial action. So it was hard facts — the need to find other markets to take up the capacity the vehicle industry did not need and to lessen vulnerability on this score—that were the bigger influences.

In the earlier, almost halcyon, days of the 1970s hopes of making a go of exporting were generally fulfilled for those pre- a businesslike way. As exporters pared to tackle the problems in got to know the European or American competition better and found that British foundrymen and their products stood up well to comparison, there was pride as well. "We were determined," said one, "that if we were going to lose British business to the German, Italian and French motor manufacturers we would get it back in their cars, and that's what we've done. We have become a major source of supply to Renault, for instance, and are developing business in America."

That was for aluminium castings. In pursuing similar objectives to try and make good the loss of business in the depressed construction and building industries, as well as from the 400,000 cars lost through industrial disputes, the iron foundries had an even more difficult task to surmount European and other competition. In the circumstances, to achieve the export of 6 per cent. of the total production of 2.8m. tonnes was creditable, representing 175,600 m/ts of motor castings, pressure pipes, ingot moulds and other items. Within this export total, motor and ingot moulds accounted for 70,000 m/ts, pressure pipes and fittings to 36,400 m/ts, and castings for machine tools compressors refrigeration, etc., for 61,300 m/ts.

Reputation

While the bulk of exports was achieved through sheer hard work, some was attracted by reputation.

Suppliers of grey iron castings to American subsidiaries have been pleasantly surprised to be taken on by the American parents looking for capacity to replace that lost in the U.S. during the big shake-out of a few years ago. Executives from America have come to see for themselves and been impressed enough to place some quite considerable orders, many of which have stuck despite leaner times.

Last year members of the Steel Castings Research and Trade Association produced 25,540 m/ts of castings for export. While this was below the peak of 1975, when shipments topped nearly 29,000 m/ts, it was a slightly higher percentage at 11 per cent. Much of the export work was made up of fairly sophisticated castings for nuclear plant and power generation, valves and other components for the chemical industries and the construction and earth-moving industries.

In the main the chief export markets were found in Western Europe, from Scandinavia to Italy—though America, too, figured prominently for individual producers. They tended to follow the pattern of production. Of the 237,000 m/ts output last year, for instance, 161,000 m/ts was in non-alloy castings, 10,000 m/ts in stainless, 5,000 m/ts in heat resistant steel, and the remaining 61,000 m/ts in other alloy steel.

Because of a number of factors it is not possible to discover exports of non-ferrous coatings. Most of the exports from this branch of the industry are concerned with semi-finished manufactures in copper and copper alloy, such as rolled metal, tubes and wire, which accounted for 121,566 m/ts last year, a recovery from the low point of 1976.

As one would expect, most of the export of ferrous and non-ferrous castings is done by the minority of larger, more aggressive companies producing high quality products in modern conditions. For most of the smaller, sometimes family businesses, the biggest barrier to exporting is the first — finance. Yet there is no doubt that if small businesses in general were given more incentive to realise their full potential a welcome increase in exports could be achieved. In this Mr. Harold Lever, economic adviser to the Government, who is overlording the measures to help small businesses in urban areas, can play an important role, if only by creating the climate in which they feel able to flourish — and to retain the rewards of enterprise.

For those who take the plunge and go in for exporting there is certainly no lack of agencies to help — among them, Government, Chambers of Commerce, and trade associations. Some of these services are entirely free, others are subsidised and still others, like trade missions sponsored by Chambers of Commerce or the British Overseas Trade Board, are subsidised. Considering the bias of foundry production towards the motor industry, one of the most potent of the agencies could turn out to be the European Components Service, which is free.

This is an instance where civil servants, most of them former engineers from private industry, visit prospective customers in Europe (for instance) to find out whether they would be interested in receiving quotes for components (including forgings) from U.K. companies. The inquiries then are generally channelled through trade associations to appropriate members. This is a first-class service which also demands a first-class response in terms of fastidious quality and delivery.

The Export Intelligence Service is by subscription. A subscriber indicates the products he makes and the markets that interest him. The British commercial posts are brought into the picture and a computer card is produced providing the necessary details for the subscriber.

While not strictly aligned to exporting, there are other services that can be extremely useful in either putting someone on the right path, or helping to keep him there. Such a one is the British Non-Ferrous Federation's research association which, helped by a Government subsidy, will help members over technical problems. In passing it is worth stating that both the BNF and the British Cast Iron Research Association have high world-wide reputations in the area of technical expertise and preparation of schemes.

That finance seems clearly to be one of the factors deterring many medium and smaller foundries from chancing their arm in overseas markets is apparent from the alacrity with which the Government aid schemes have been taken up. The ferrous foundry scheme, applications for which are now closed—though not all of them dealt with—attracted 514 claims. To date 377 have been approved for grants totalling £69m. to help towards projects worth in all £360m. The non-ferrous scheme, applications for which close in July, has so far attracted 87 applications, 57 of which have come from concerns employing fewer than 100 people. Grants approved are £4m. for schemes totalling £18.5m., while another 52 claims encompassing expenditure of £16.4m. and grants of £3.5m. are in the pipeline.

The managing director of Bush and Wilton, Mr. H. Pratten, looks over valve castings which are part of an order for Union Carbide (Belgium).

Competitive

These schemes should come to fruition in the next two or three years and will help measurably to make the foundries more competitive and better able to export—because there is no doubt that given the right production, management and spirit it can be done.

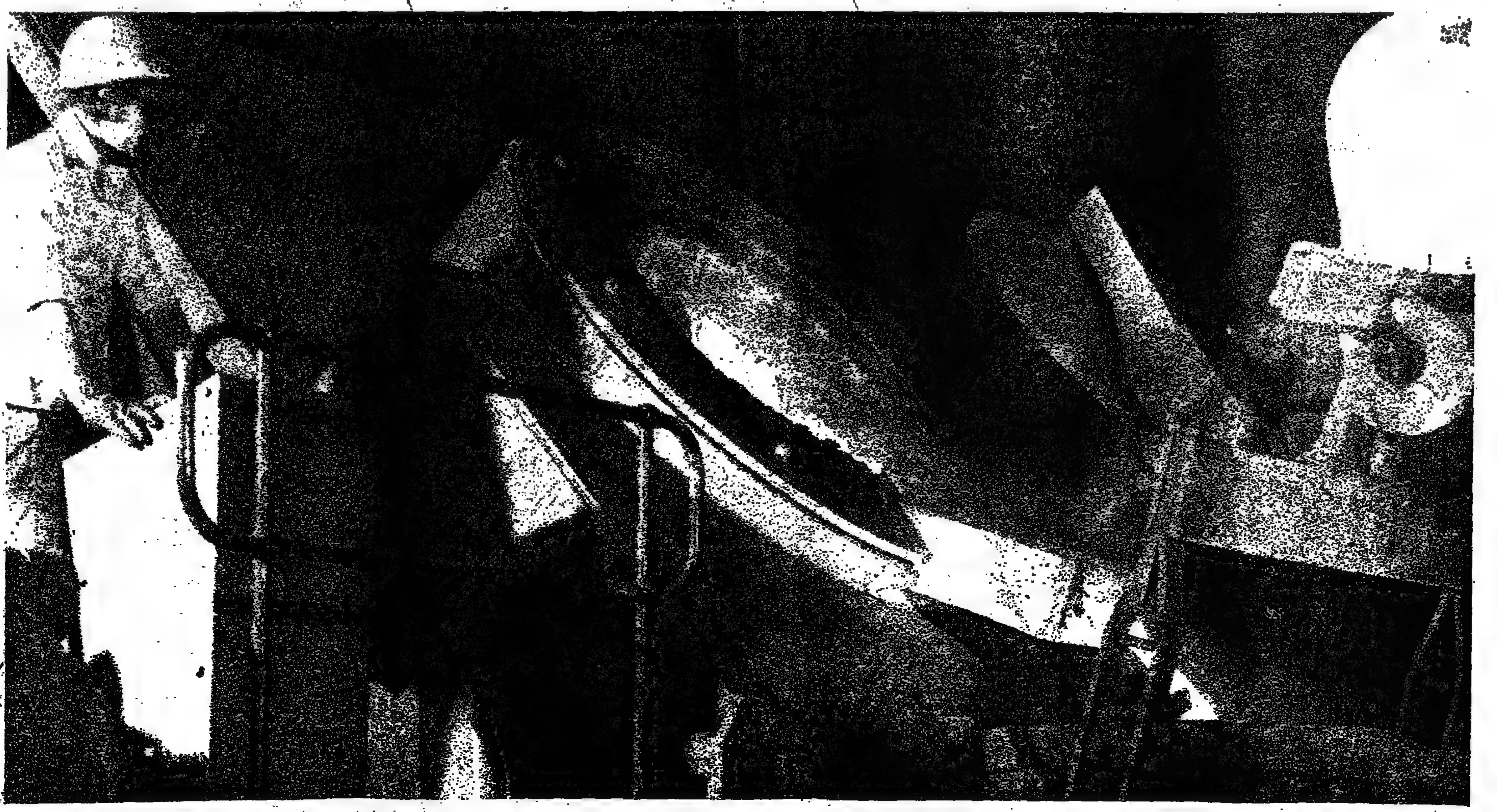
One of the foundries that has been successful is Perry Barr Metal. Three years ago its exports were nil. "But we decided we had to get off the U.K. vehicle supply circuit" says Mr. Howard Burchell, director and general manager. In 1976 the company won export business worth 7.8 per cent. of turnover. Last year the proportion rose sharply to 22.7 per cent. and this year is running around 23 per cent. "But we fully intend to go on to 30 per cent."

The factor Perry Barr has found most helpful is telling potential customers of its approach to production, although it is prepared to do it the hard way and knock on doors. "But the most potent selling factor is to show you have a proven background and technical ability. European buyers are highly professional and you can't blind them with words" says Mr. Burchell. If a prospective customer evinces interest, Perry Barr looks at the job to find the most economical way of making it at a very keen price. "But you have to be right first time. You don't get a chance to make a second mistake."

If necessary a similar component is taken to the prospective customer to evaluate. But before he agrees anything he will ask the state of industrial relations at the plant. Ability to guarantee continuity of supply is of paramount importance. It would be disastrous, says Mr. Burchell, to treat an overseas customer like a U.K. customer who has got inured to disruptions.

"While you have to put in money and time, you also have to remember that the customer almost always has to spend money also by putting in special tooling, so it really is a partnership. The hardest thing," Mr. Burchell reflects, "is the first step, the decision to spend money, then the two years slog. But when, as happened, a £200,000 order just dropped through the letter box, all that flying to France and Germany as if you were going to the office makes it all worthwhile."

Peter Cartwright



Problems of attracting the right manpower

A GROUP OF children had been shown round an iron foundry and were on their way out. The careers teacher was overheard telling them: "Now you know what will happen to you if you don't get your 'O' levels."

This incident illustrates one of the foundry industry's major problems: How does it attract and retain the people it needs *in the face of an ageing work*force and unsatisfactory image?

Foundry workers themselves consider that they have some of the toughest working conditions in the engineering industry. One very commonly-used comment is that "foundry-work is even tougher than the miners' work."

Although progress is being made to improve the working environment in many foundries, the industry is still considered to be one where employees often have to undertake hard, physical labour in conditions of considerable dirt, noise and heat and some danger.

This naturally makes the industry appear unattractive to school leavers, their parents and teachers.

Yet, despite the working conditions, labour turnover is not high except in the fettling areas and among new recruits generally. There is a high degree of turnover of employees during their first few months of employment. But if they settled down and can cope with the conditions they can be expected to stay for a long time.

Foundry employment has shown a marked downward trend which peaks in the output cycle merely halt rather than reverse. Manpower has declined in the iron and steel foundries at an average rate of 2 per cent. a year, falling from 118,000 in 1960 to 102,000 in 1968 and around 80,000 in 1976. This was mainly caused by the foundry closures which have taken place. And there will be little need for any significant increase in total employment in the foundries in the foreseeable future.

But this does not necessarily mean that manpower constraints will not arise. The changing mix of skills, with fewer traditional crafts but more maintenance crafts and technicians needed, could be a source of problems. The industry is already finding it increasingly difficult to recruit and retain suitable entrants to the skilled moulding crafts and to the highly arduous fettling jobs and to re-attract *skilled or experienced labour* which has left the industry.

With this in mind, staff from the National Economic Development Office's Manpower and Industrial Relations staff made visits to seven foundries to hold discussions with groups of managers, staff, shop stewards and shopfloor workers at each of them. The purpose was to get the views of people in the industry on a range of topics including productivity and industrial relations as well as recruitment and retention of labour.

Inferior

The results were outlined in a report called "Foundrymen's views: An attitude study in the ferrous foundry industry," published by NEDO (£1.10).

When the NEDO team was looking at the physical working conditions, no common pattern emerged for the different sorts of foundries. But it was clear that most foundry jobs "required much physical effort in conditions considerably inferior to those prevailing in most other industries."

A curious feature, say the researchers, is the noticeable fatalism among many foundrymen about the conditions. But employee groups made the point that other heavy industries, such as chemicals, have much better facilities, for example better medical services, better washing facilities and protective clothing. The foundry industry, they thought, was in this respect the poor relation among heavy industries.

So why do so many foundrymen stay in the industry for so long? One view was that it was because of the job satisfaction the industry offers. (Foundrymen often have the satisfaction of seeing the end product of their efforts. Variety of products in foundries where products were short-run or one-off also contributes to job satisfaction. Flexibility of labour contributes to job satisfaction in a number of plants.)

The NEDO report points out that more could be done to convey this to school leavers and those who advise them.

However, other foundrymen suggested labour turnover is low because of the desire for employment security. The longer they stayed, the more it would cost the employer to make them redundant and, if they moved elsewhere, they would lose the benefits of the "first in, last out" principle employed by the foundries when redundancies have to be made.

The areas in which there was thought to be the most need for improvement leading to higher productivity and better working conditions were:

More mechanised equipment (for example, cranes, sandslingers and mechanical handling generally) in order to reduce the degree of physical labour involved in many jobs:

Better layout of plant:

Improved noise reduction in the foundry, including hearing protectors and relocation of fettling shops:

More dust extraction throughout the whole foundry operation:

Isolation of furnaces:

More adequate control of sand:

Adequate shower facilities and possible consideration given for men to take showers in working time at the end of the day:

Adequate heating in winter to prevent the low temperatures which occured and often resulted in disputes.

It was also recognised that the ability of the industry to modernise and improve wages and working conditions was hampered by its low profitability. The industry must improve its "value added" if profitability is to be improved.

There were many other revealing insights produced by the study and the results were reviewed by the ferrous foundry "Little Neddy" advisory group. It came up with a number of recommendations which would do much to improve the quality and productive performance of the industry's manpower if implemented.

Inadequate

It was suggested there is a need for greater attention to be given to production planning and control in foundries. This is primarily the concern of individual companies but the "Little Neddy" would like to be sure that sources of advice from research associations and elsewhere are adequate and might ask the government to consider offering financial help towards the fees.

Manpower planning by companies is generally inadequate to provide companies and the Ferrous Industry Training Committees (FITC) with necessary information to plan future recruitment and training policies. The cyclical nature of demand exacerbates problems in the industry.

The "Little Neddy" maintains that inflexible attitudes to organisation or technical change prevent full productive potential from being realised. Resistance to change could often be traced to underlying fears for job security, which proper manpower planning could allay. Management and unions should discuss and agree on ways to promote a more flexible use of the labour force, it insisted. "In some cases this will require an initiative by full-time trade union officials to give a lead in encouraging their members to be more flexible between jobs within their level of competence. Where practicable, rotation of jobs should be considered as a means of increasing job satisfaction and flexibility."

There also appears to be scope for improved utilisation of both manpower and plant, particularly in the more capital-intensive volume foundries, through staggered hours and double-shifting. Attitudes vary as to the desirability of shift work but there is a general recognition that the cyclical nature of demand must be met by flexible approaches.

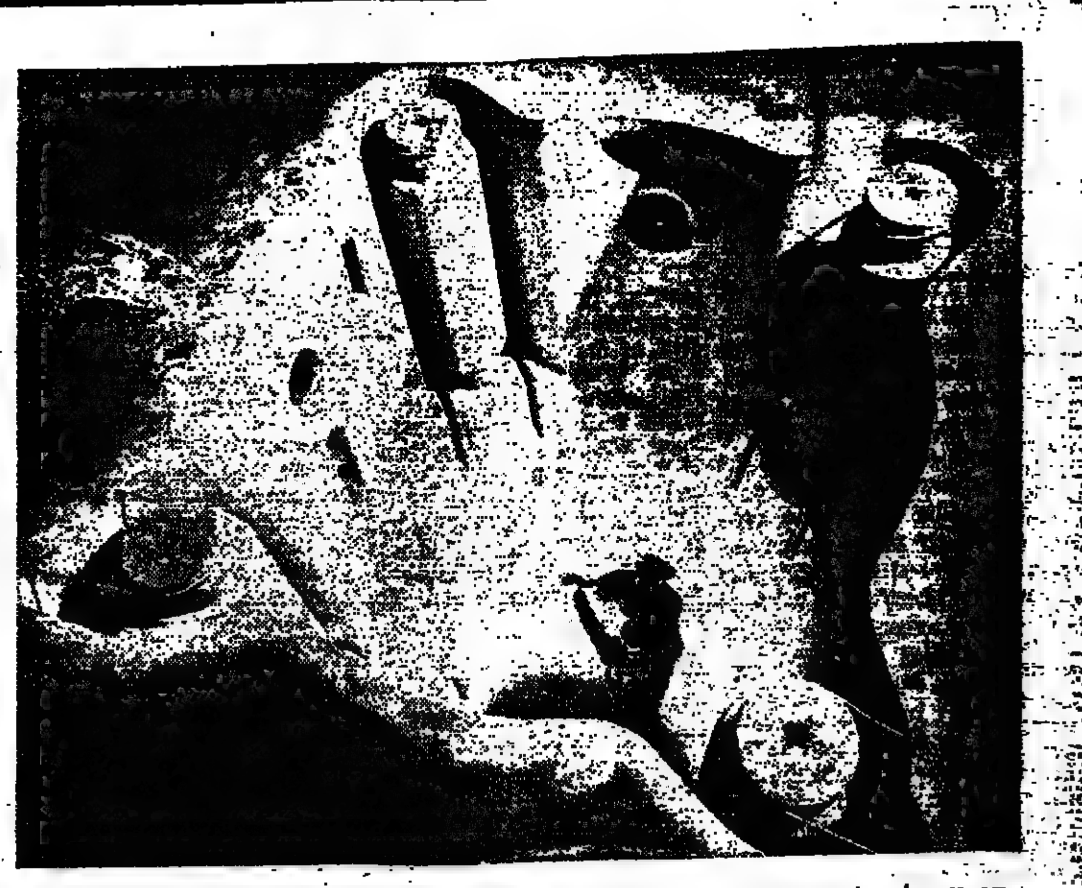
The Little Neddy recommended that the FITC, in consultation with the industry, examined the scope for the training of adult workers and for management training in the industry. A further view, expressed at various regional conferences organised by the "ittle Neddy," was that "all-round technician training" for foundries should be developed.

There was a recommendation that management and unions at plant level review existing wage systems, wage differentials and the possibility of improving non-wage benefits for shop floor employees.

Management should examine the scope for improvements in communication to the shop floor, involving foreman in the company decision-making framework and in consultation prior to changes in workplace conditions and facilities.

And "if the industry is to attract suitable school leavers at any level, they and their advisers must be convinced of adequate prospects for advancement and that the industry offers a rewarding and satisfying career. Much of the traditional face of the industry is changing and a massive new investment programme is underway. It is recommended that the industry, possibly through trade associations and/or government, should do more to project the up-to-date image of the industry."

K.G.



The big end of the business. Completing a mould for a 4,000 ton extrusion press cylinder at BSC's Special Steels Division, Sheffield.

Efforts to use less energy

THE IRON foundries castings sector accounts for as much as 5 per cent. of the total industrial energy demand in Britain. Small wonder then that it has come under intense scrutiny by government bodies in the search for ways of saving energy.

Last year a major report was published which attempted to take the burgeoning inefficiencies out of some of Britain's older iron casting foundries in areas which the layman would probably not associate with energy saving. The report was the first to deal with energy audits in energy-intensive industries under the sponsorship of the Energy Department and the Industry Department.

Studies are being conducted by the Energy Technology Support Unit at Harwell and the Energy Unit at the National Physical Laboratory at Teddington. Industrial research associations are also involved. All the work, including that already well underway in the foundry sector, is carried out under the auspices of a body aptly called SLICE, Studies Leading to Industrial Conservation of Energy.

The aim is to find out how much energy is used in manufacturing processes and in products, through aggregation of the energy involved in the individual processes leading to a product's completion.

In foundries, the sums are relatively straightforward; the product, a cast iron component, has a relatively simple life history, and its energy skeleton can be readily determined. The fact that iron casting accounts for 2 per cent. of Britain's primary energy consumption, equivalent to 6m. tonnes of coal a year, helped decide that this industry would be the guinea pig for the first energy audit scheme.

Of the total energy required to produce iron castings in Britain, coke accounts for over 51 per cent. An average of 44 GJt of energy is needed to produce one tonne of iron castings. In individual foundries this can vary from as low as 14 to as high as 60 GJt tonne of castings produced.

But in all cases, melting is the main single energy consuming process in a foundry, usually accounting for 50 per cent. of the total energy requirements of the final product.

A great deal of metal is constantly recycled in a foundry. This can be reduced in relation to the saleable products, and it is estimated that a 10 per cent. cut in these foundry "returns," including rejected castings, risers and runners, could save Britain £4.5m. a year.

In addition to the savings

CONTINUED ON NEXT PAGE

Helping small operators

HE MESSAGE is unmistak-e." Mr. Harold Lever, nomic adviser to the Govern-nt has said. "The Govern-nt is sincerely and orously bent on creating a nate in which small busi-ses can make an even bigger tribution to our industrial ." While this was said in context of launching the mall firms in the Inner City" paign it must clearly apply ll small firms when it comes s one frustrated owner told Lever—to getting the ernment "off our backs."

he disgruntled owner was erring to the administrative den of form filling and the ncentives represented by ital transfer tax and so on. imising form filling, simpli-g VAT administration, with debt concessions which Mr. er promised, obviously, can-be limited to inner city as alone; they will benefit small firms. In some areas, the Midlands, for example, y comprise four in five of manufacturing companies provide a third of the jobs.

Some of them are foundries, most of them small craft foundries run by families, perhaps employing 30 or fewer, which can turn their skills to many types of castings. For hundreds of them the wooing of small firms, the promise of better things to come, has arrived too late to save them. For many years up to 1974 such foundries were going out of business as the result of competitive pressures, and even more because of the near impossibility of handing on a going concern to the next generation. Losses averaged about one a week, until the numbers of foundries have been halved. But the net loss in 1974 was only about a dozen, and these lower figures have prevailed, with 1977 seeing 16 iron foundries closing, leaving 714 still in operation.

The 1974 watershed co-incided with a sharp upturn in business and the realisation that so much prototype and short run capacity had been lost that the rapid expansion of the industry was hampered. The cosseting of small firms now is evidence, if evidence is needed, of their vital role in the structure of industry. In many instances they are the acorns from which, traditionally, industrial oaks have grown. Looked at purely from a capacity point of view, and often from an internationally competitive point of view, there is little to be said for maintaining so many small units in being. The loss of capacity their closures represent is almost always made up by the bigger units becoming more productive and expanding. But these days, large scale too often goes hand in hand with loss of flexibility, and reduces ability to adapt quickly to changing circumstances, to do the one off job.

Essential

Everyone can talk in generalities about the prime importance of preserving a proper ratio of small to big units, and of the essential role in industrial society that small firms occupy. But the facts of the matter are scarce, indeed too lacking to be able to form confident judgments that new policies will do all that is needed to bring about a more effective working environment. This is something a special committee on small foundries is looking into. It has a number of objectives, two of the most important being to ascertain with more authority just how important they are to the national economy. And secondly, is there a sufficient number of them to support the foundry industry generally if the promised economic upturn is realised? Lack of capacity and flexibility in responding to the last business surge was blamed for missed opportunities, and clearly it is in the national and industry's interest tot avoid this kind of situation in the future.

What in part is lacking is a more precise knowledge of how much, and where, and of what type of loose pattern castings is needed to create a balanced structure.

The small craft foundries produce castings of under 1 lb to over 10 tonnes and thrive on batch work. But how much of this kind of work is likely to be needed in the future? By far the biggest customers are in the automotive field where repetion and big units turning out components by the thousands and tens of thousands are the order of the day. Some of them, how many is not known, have corners for prototype work, but can be caught by an unexpected change of design. Perhaps this is work the smaller foundries should be allowed to concentrate on, maybe on a collaborative basis so that no one need go desperately short or be inundated.

Nor is it known how long some of them can survive. The new Government environmental and working regulations have been a potent cause of withdrawal. The cost of meeting them is formidable. Moreover the difficulty of attracting young people of ability into the foundry trades is leading to an ageing working population. Where this factor combines with an owner thinking of retiring and selling up because he has no one to follow him, the addition of having to meet stringent regulations can be the straw which breaks the camel's back.

The too-rapid imposition of anti-pollution regulations in America slaughtered the foundry industry, for many of the smaller units were unable, or unwilling to pay the price. It is this kind of situation the authorities in the U.K. are trying to avoid, with some success.

In the West Midlands, a centre of the foundry industry, there are two groups of eight inspectors totally engaged on seeing that companies abide by the new clean air, and health and safety at work regulations. While it is no part of their concern whether productivity and profits are a problem, they cannot but help be aware of them, and are in no doubt that the cost of meeting the regulations is at the centre of small firms' concern.

This concern is equally shared among big, medium and small units, with the difference that small foundries are generally less well able to cope with financial problems. And with two or three poor, if not bad years behind them and the possibility, even probability that the upturn from last year's depressing performance will be delayed, money is a problem for almost all of them. On the other hand there is no doubt at all that foundries have to be cleaned up if good quality, willing youngsters are to be attracted into it. The cost of doing this varies enormously. It may be possible in a small foundry to solve the dust and fume problem for £2,000 or £3,000. It may cost a larger unit several tens of thousands of pounds, and all this is heavy capital expenditure on which there is no return.

Prohibition

Very sensibly, the inspectorate is using its powers of issuing prohibition orders on equipment or processes only where absolutely necessary and is taking the much more positive approach of offering help in devising a two, three or even five year programme of improvement. In not a few cases the inspectorate is taking the initiative in suggesting ways and means of lessening the financial burden.

The inspectorate is also finding the plant and equipment makers less than alert to what the regulations mean to their sector of the industry. "Some of them just don't seem to realise that they are no longer in the metal bashing game but have to move into quite sophisticated equipment" as one inspector put it. "Their eyes glaze over when you start talking about captive velocities, threshold limit values and respirable quartz particles."

Quite obviously education has a big part to play in making managements, workers and suppliers aware of the changes now being introduced and the agencies through which they can be helped, whether government, trade, Chambers of Commerce, or the Foundry Industry Training Committee. There are many doors to knock on for help. The special working party on small firms will help to identify how and in what ways they can best be helped. Their report should be available later in the year and should prove a valuable guide to the future.

P.C.

Energy

CONTINUED FROM PREVIOUS PAGE

ch could accrue through uced wastage and remelting returns, the government has nted out that there are at t 15 other ways in which ey could be saved through roved energy usage.

here is a possible conflict ween the need for energy ng and the need to reduce ironmental pollution but e firm recommendations e been made. In particular, lticyclones for dust and grit oval from exhaust gases of ting cupolas should ideally in the range of from 7 to tonnes per year, in place of a efficiency wet scrubbers.

Vith uncertainty surrounding efficient use of filtration ipment and electrostatic ectors, foundry managers e been advised to co-operate a survey of these items of ipment so that results may compared with equipment d in plant in Germany and U.S. Success in choosing the best design for experimental fitting to a cold blast cupola over 10 tonnes per hour, could lead to energy savings, but perhaps not for 15 or 20 years.

Greater use of after-burners to eliminate carbon monoxide, smoke and fumes from cupola exhaust gases could lead to energy savings. Energy could also be saved by minimising the volume of cupola exhaust gas which needs cleaning. This could be done by restricting the size of the charging doors opening and by cooling the exhaust gas by water injection, or radiation. The total savings have not yet been quantified, but could be as high as 53 per cent.

Even with major advances, foundries still face problems from smoke and odour elemination, because the only reliable method of eliminating these them is to use more energy to burn them at up to 800 C. One alternative suggested by the government is a two stage process comprising a high efficiency wet scrubber to remove smoke, followed by a chemical absorption column to remove the odour.

These advances may be for the future, for the Government is quite adamant that the greatest savings could be achieved by wider application of three existing technologies, two of which involve modifying existing melting furnaces, or cupolas.

A conventional cupola introduces air at one level, but by injecting air at two levels in a divided blast cupola, the energy saving is as much as £5 per tonne of casting. In Britain about half the 200 to 250 cupolas suitable for conversion have already been converted, with a high degree of success.

A second modification to existing technology involves the addition of oxygen to a cupola, improving its thermal efficiency. Injection into the coke bed gives the greatest energy saving, but this approach is restricted to continuously tapped cupolas.

A third energy saving technology involves the use of a hot blast recuperative cupola, described by the Government as the most energy efficient means of melting iron for foundries working long daily melting campaigns. Energy consumption may be only two thirds that of the cold blast cupola.

Long term energy savings may also be possible from research into methods of recovering heat from exhaust gases of cold blast cupolas, as well as from hot blast units. But at the end of the day, if there is one thing a foundry manager needs to do, it is to evaluate and consider the true impact of energy demand when choosing his next, new melting unit.

Lynton McLain

LOMBARD

Educating the Americans

BY ANTHONY HARRIS

"WE OUGHT to send over a technical mission," a foreign currency dealer remarked to me the other day "to tell them how to manage a weak currency." The idea of educating the Americans in the mechanics of speculative outflows and domestic credit has in fact occurred to quite a lot of people, and a kind of unofficial delegation of bankers, brokers and economists, has been busy at its charitable work for some weeks. Returning travellers all report that it is uphill work.

Confusion

The Americans themselves are joining in, but the result is patchy. The latest Bulletin of the Federal Reserve Bank of St. Louis—the temple of official monetarism—contains in its latest issue to hand an excellent step-by-step account of how currency intervention actually works. The tale is familiar to us over here: foreign holders of dollars acquire their own currencies instead, and thus intervention causes monetary expansion overseas. The U.S. Treasury is enabled to find finance from the reserves or from foreign borrowing, and so U.S. interest rates will tend to be lower than they would otherwise be. A swap, which creates reserves, or a loan from central bank to central bank, which activates them, looks potentially inflationary in action, and it is.

The need for stating these home truths is set out in the introduction to the article, which summarises the current confusion of U.S. opinion on these topics: "There are those who state that U.S. intervention will have a contractionary effect on the U.S. money supply, and will not cause expansionary pressures on the money stock of other countries. There are those who argue that U.S. intervention will produce a different impact on U.S. interest rates that that produced by foreign intervention." In other words, the St. Louis Fed feeds that it is helping to eradicate error. However, as readers of the FT's correspondence columns know, there is scope for endless semantic confusion here. Higher or lower compared with what; that is the often unasked question which causes all the confusion.

The trouble is that the St. Louis Fed only looks at one side of the question. It shows that as a result of intervention, excessive monetary growth probably occurs in countries other than the U.S.; but its statement that the U.S. money supply is unaffected suggests somehow that the inflationary act is the lending to the Fed by foreign central banks. There is an implication that U.S. monetary policy is working exactly as planned, only at a remove; excess dollars are being mopped up by selling U.S. Treasury bills to foreign central banks rather than to U.S. investors. Since foreign central banks are buying to manage their exchange rates rather than because they want to hold the bills, they will take a lower return; the only result therefore is a somewhat lower level of U.S. interest rates than would otherwise be the case.

The analysis so far as it goes is faultless; but because it does not go far enough, the implications are all wrong. The St. Louis Fed does not ask what is the source of the dollars which holders are selling; in other words, it does not look at domestic credit expansion. The reason is quite simply that the concept of DCE is entirely unfamiliar to U.S. bankers and officials. The fact is that DCE in the U.S. greatly exceeds the growth of the money supply; and in this sense you can argue that intervention makes a very large difference. It prevents excessive domestic credit expansion from appearing in the U.S. money appearing in the U.S. money supply: in other words, the rate of growth which the St. Louis Fed regards as being unaffected in one narrow sense is achieved at a lower interest rate than would otherwise be the case. The St. Louis Fed does draw attention to the interest rate effect, but not to its implication: that intervention makes it possible to reconcile apparently restrained money growth with easy credit.

Ill-equipped

The whole article seems to me to suggest that a domestic monetarist is instinctively ill-equipped to understand what is going on in a world of currency turmoil. In a world run on Friedmanite lines, free floating would be the unbroken rule; that rule is being broken. In a Friedmanite world, the money supply would grow at an orderly rate; it is growing at an orderly rate. The irresistible conclusion is that the intervention is somehow the cause of the trouble. It has taken hard experience for us to learn that in a non-Friedmanite world, the Friedmanite domestic rules are an inadequate guide to policy; that intervention is the final desperate response to troubles that originate elsewhere; and that no analysis can get round the basic rule: if a currency or anything else is dropping in price, there seems to be a glut.

Seeds to sow during the holiday

GARDENS TO-DAY

BY ROBIN LANE FOX

PART OF my Easter week-end will be spent sowing seeds. Some of them, of course, should have been sown earlier, but there have been roses to prune, campanulas to divide and foxgloves and *Salvia Turkestanica* to transplant from wherever they sowed themselves inconveniently last year. It has also been snowing. Most plants object to an interruption once they are growing on from seed, especially the annuals which have to grow so quickly. It is better, then, to start them later, with a transplanting in early June in mind. By sowing late you can move the seedlings on smoothly without a delay in late April when they threaten to grow too big for their boxes.

Now let me clear up a problem. Many of you write to complain of difficulty in tracing the white lily, *Lilium formosanum*, which I mentioned last month as a quick and easy lily to grow for flowers in its first year. I was referring to its seeds, not its bulbs, which can be bought quite easily frfom Wallace and Barr, Marden, Kent, among other suppliers.

Seeds are cheaper, but those who have failed to trace them should try Thompson and Morgan, London Road, Ipswich, who list the very similar *Lilium longiflorum* White Queen at 33p a packet. The two names, I should have warned you, are used without much discrimination and seed-lists may now prefer to call this fine bulb *longiflorum*. Either way, you are buying a splendid white trumpet-lily. If you have a very warm greenhouse, you might well not be too late to persuade it to flower later this year.

At 55p a packet Thompson and Morgan also list what they call Lily White Swan. From their description, I assume this in fact to be the *formosanum* which I mentioned. It is equally good, though it would have to be hurried along in heat of not less than 70°F to make an impression in late October.

If you can wait a little longer, order a 27p packet of the scented Regale lilies too from the same source. Anybody can persuade this lily to germinate without heat or any special attention. By next year the bulbs will be big enough to bear their first flowers. Thin them out a few weeks after germination by planting them about three inches or so apart in open ground. One fully-grown bulb costs about 45p nowadays, so it is worth being patient and raising 20 or so from seed for roughly half the price of a single adult.

What, though, about the bedding plants? They are now too expensive for any but the absent-minded to buy them fully grown in late May. You do not have to have a greenhouse in order to raise the half-hardy sorts. You can start them off quite well in an airing cupboard so long as you never allow their box of sandy soil to dry out.

As soon as any growth shows you must bring them at once into the light. Light does not necessarily mean the window-sill, a frequent error, as it is the point where sunlight is most direct and draughts least predictable. You must only be sure that the temperature does not fall below freezing point. If you fear a cold night, you can always shelter the boxes for the night in a warm cupboard.

By sowing later than many suggest, you cut the time in which you have to keep the plants happy indoors. True, you also delay their flowering, but I am not too worried to miss the petunias in late June when so much else is at its best. An August-to-October season is convenient.

To keep up the temperature for seeds sown inside your house, you can also put their box inside a polythene bag, raised an inch or two above the soil's surface but otherwise wrapped firmly round the box's frame. This on the whole is a good idea. The soil, which should be thoroughly damp but not sticky, will sweat on to the polythene. The drops of water will settle on to it and will not then be lost in the atmosphere. You are spared tiresome watering and you are also saved any mess on the carpet or laundry. As soon as the first shoots poke through the soil, split the bag and open, then remove it altogether two or three days later. I recommend this substitute for a hot-house.

What, then, to grow in a polythene bag among the washing and ironing? I like the reports of Thompson and Morgan's new "Really Green" tobacco plant at two packets for 42p. Its colour is noticeably clearer than the old Lime Green variety and its vigour has not disappeared. I find that these green flowers show up boldly, no pale whim of anaemic flower-arrangers. They are just as emphatic as a bed of yellow snapdragons.

I am impressed too by the very low-growing scarlet-red variety, offered as Red Devil in the lists. Seeing this massed in clumps of 100 or so at the front of a great mixed border last summer I promised myself a similar block or two, so much more elegant than the hard red salvia and no less bright. County councils and public committees please note.

The double petunias and multi-ruffled Hyacynthine antirrhinums are execrable. Stay with the plain single varieties, including the good newish yellow, Petunia Sunburst, and the excellent old dwarf snapdragon called Black Prince. Cherry Pie, or heliotrope, is another old indispensable, not least for its exquisite scent of chocolate and bath powder, which is the nearest I can get to an adequate description.

Be sure to choose the darkest variety from your list. Please remember that you can save your plants from year to year if you dig them up before the frosts and keep them away from the worst of the winter in a pot until next June. They are perennials and will grow to quite a height and stature.

Finally, what is my tip as the brightest colour which is tolerable? If you have a bed which is semi-shaded or damp, like the places where my drains spring one of their frequent leaks, you must go back to the good old musk, or *Mimulus*. It is easily grown from seed. You can either buy the annual Monarch forms and push them on for a show of the dark-red or brown-spotted yellow trumpet-flowers this autumn, at a height of about a foot and a half, or you can buy the perrennial sorts, Red Emperor, Orchid and the others, a better long-term prospect. If you cannot make up your mind, compromise and go for the taller and gloriously coloured half-hardy perennial, *Mimulus Glutinosus*. A showpiece in the tubs in the red-and-yellow garden at Sissinghurst Castle, this musk is salmon pink, shading to burnt orange. It lasts from year to year.

Three paperbacks that seem a good bet at the price

RACING

BY DOMINIC WIGAN

AT THE START of every season—be it jumping or flat—a whole host of paperback racing guides and booklets appears on the scene, and, although it is true that many are complete rubbish, some are undoubtedly of considerable interest and help to the keen racegoer or stay-at-home enthusiast.

Three recently-published paperback booklets which strike me as a good bet at their respective prices are The Professional Approach to Backing Horses, by Tony Stafford, Raceform's Prospects '78 and Betting Made Simple, from Coral Racing.

Tony Stafford's highly informative and concise booklet, The Professional approach to Backing Horses, which is available at 70p (post free) from The Race Horse, 55, Curzon Street, London, W.1, covers in the main the interpretation of form in all its many facets, a subject which has occupied almost all Stafford's working life in racing journalism and broadcasting.

Last flat-racing season, as editor of The Race Horse, Stafford's nap selections showed 40 points profit to a level one point stake, and, although reading his guide is no guarantee of similar results, I feel confident that it will prove an instructive work for those who take in its valuable advice.

Prospects '78 (£1 from Raceform, or The Race Horse, 55 Curzon Street), which last year included the Derby winner and a 13 to 1 scorer on the first day of the '77 campaign from its dozen three-year-olds to follow, discloses Raceform's master handicap of 400 leading three-year-olds and 100 older horses.

Its authors, T. E. Watson and Walter Glynn, also disclose in depth prospects for the forthcoming campaign. In this section, it is interesting to note that Try My Best is not at the head of Glynn's two-year-olds of 1977 and that Watson ranks two better than Alleged in his handicap of older horses.

Coral Racing's Betting Made Simple, which is available free of charge through the company's chain of betting-shops, has come into being as a result of a research programme which showed that, by and large, punters are not fully aware of the wide variety of bets available to them.

While catering to this requirement, the booklet also takes the "occasional punter" or newcomer through the various processes of placing bets step by step in what the publishers hope is non-technical phaseology.

WORCESTER

2.00—Varalgo
2.30—Major Owen
3.00—Maygo
3.30—Diamond Head
4.00—High Prospect**
4.30—Scottish Mandate*

KELSO

2.15—Stone Hazard
3.15—Good Job
4.45—Wealth Tax***

Extra trains for Easter

BRITISH RAIL will run nearly 500 extra trains over the Easter period to cope with the expected rush of travellers.

Many of the extra trains will be excursions to coastal and country resorts.

Most of them will run on main routes between to-morrow and Wednesday next week.

Economy return tickets, which offer mid-week return travel for the price of a second class single ticket, subject to a £7 minimum, are not valid for this week.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University. 9.45 Roobarb. 9.50 Jackanory. 10.05 Boss Cat. †10.25 The Boy from 5B. 10.50 Lippy Lion. 12.05 p.m. For Schools, Colleges. 12.45 News. 1.00 Pebble Mill. 1.45 Mister Men. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 a.m.). 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Screen Test. 5.05 John Craven's Newsround. 5.10 Grange Hill. 5.35 Ludwig.

5.40 News.

5.55 Nationwide (London and South-East only).

6.20 Nationwide.

6.55 The Wednesday Film: "The Brain," starring David Niven.

8.30 The Liver Birds.

9.00 News.

9.25 The Hong Kong Beat.

9.55 Sportsnight.

10.45 To-night.

11.25 The Engineers.

11.50 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—5.10-5.35 p.m. Bilidowcar. 5.55-6.20 Wales To-day. 6.55 Heddiw. 7.15 Young Musician of the Year. 7.45 The Rockford Files. 8.30-9.00 The Liver Birds. 11.50 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.50 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.55 Spotlight on Northern Ireland affairs. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

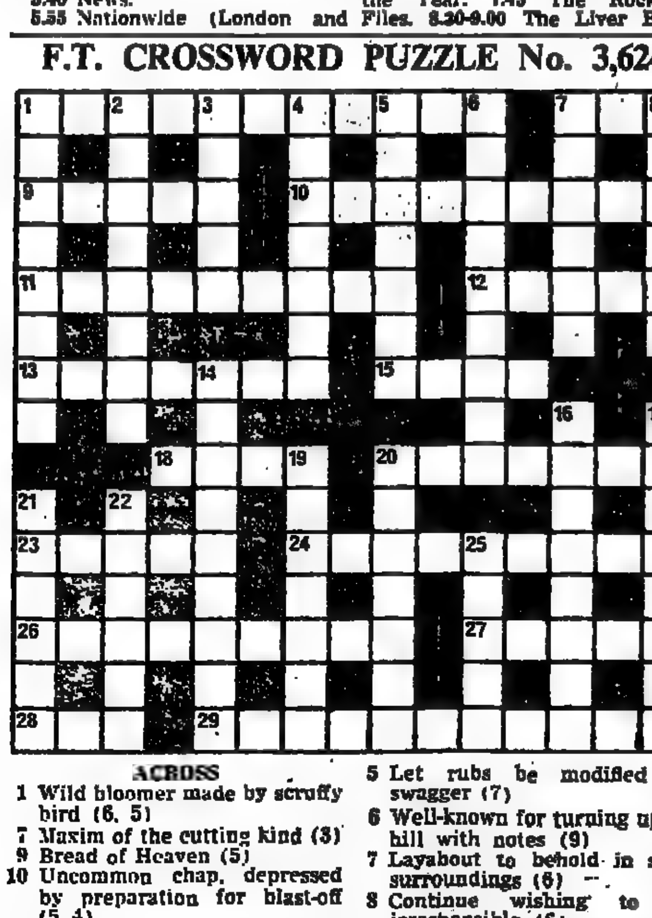
6.40-7.55 a.m. Open University.
10.20 Gharbar.
10.45 Parosi.
11.00 Play School.
4.55 p.m. Open University.
7.00 News on 2 Headlines.
7.05 Mr. Smith Propagates Plants.
7.30 Newsday.
8.10 Brass Tacks.
9.00 Call My Bluff.
9.30 Play of the Week.
10.50 Arena: Cinema.
11.25 Late News on 2.
11.35 Simple Faith.
11.50-12.00 Closedown. Hugh Burden reads "Hedgehog" by Anthony Thwaite.

LONDON

9.30 a.m. Kimba. 9.55 A Diary of Civilisations. †10.45 Hopalong Cassidy: William Boyd in "Stagecoach War." 11.45 Oscar. 12.00 Cloppa Castle. 12.10 p.m. Pipkins. 12.30 Sounds of Britain. 1.00 News. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Hadleigh. 3.20 Paint Along With Nancy. 3.50 The Rolf Harris Show. 4.20 How. 4.45 Pop Quest. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 The Streets of San Francisco.

F.T. CROSSWORD PUZZLE No. 3,624



ACROSS

1 Wild bloomer made by scruffy bird (6, 5)
7 Maxim of the cutting kind (3)
9 Bread of Heaven (5)
10 Uncommon chap, depressed by preparation for blast-off (5, 4)
11 Home in Hull? (9)
12 Right page has to take railway from 4 (5)
13 Work of Impressionist portraying operatic heroine with appeal (7)
15 Bird that can mate on board (4)
18 Sex-appeal Rhode Island finds in female garment (4)
20 Accountant's day on a foreign ice (7)
23 Fall in odds on invalid (5)
24 No riposte could give rise to bone of contention (4, 5)
26 Looks to retinue to provide excuse for glasses (3, 6)
27 Flood Dr. Love when he is missing (5)
28 Fixed part of tennis match (3)
29 Unaffected by crooked but instinctive tendency (7, 4)

DOWN

1 Emphasises sheep's native land (4, 4)
2 Card game to trap like strong drink (3, 5)
3 Cheer the Spanish who dined (5)
4 About 100 go over right wing ministerial address (7)
5 Let rubs be modified by swagger (7)
6 Well-known for turning up on hill with notes (9)
7 Layabout to behold in such surroundings (6)
8 Continue wishing to be irresponsible (6)
14 Person pretending to scorch with the French sunburn (9)
16 Pub with one sound singer (8)
17 Instrument for making a rattling good dancer (8)
19 Second of this month (7)
20 Enquirer into abnormal departure (7)
21 Tax fool's self-starter (6)
22 Turn elsewhere to provide entertainment (6)
25 Ring about note cycle (5)

Solution to Puzzle No. 3,623

ENTERTAINMENT GUIDE

Television

Dunkley's top ten

by CHRIS DUNKLEY

Here is a list of this month's Top 10 television programmes:

All Creatures Great and Small	(BBC1)
Americans	(BBC2)
Breakaway Girls	(BBC1)
Horizon	(BBC2)
Living In The Past	(BBC2)
M.A.S.H.	(BBC2)
Out of Town	(Southern)
This Week	(Thames)
Two's Company	(London Weekend)
World About Us	(BBC2)

This is not, of course, the "official" Top 10 according to JICTAR or the BBC Research Department. It is a completely unofficial Top 10 according to Chris Dunkley, and its compilation is prompted by years of irritation caused by those other lists.

Not that there is anything inherently wrong with them. In fact there is a certain amount of interest—particularly for advertisers, but for anyone else with ordinary human curiosity, too—in knowing which programmes are seen by the largest numbers of viewers. However, the publication of Top 10 (or Top 20) lists with certain programmes almost always appearing in them week *after* week and year after year, somehow manages to imply more than a simple head-count really should.

The continual reappearances of *Coronation Street* and *Crossroads*, the habitual inclusion of half-hour situation comedies, and the almost invariable presence of at least one police series (currently *Starsky and Hutch* and *The Professionals*) eventually induces a feeling, if only subconsciously, that these are supposed to be the "best" programmes—or at least that that is what most people think.

Yet this is not necessarily so, as the BBC's "Reaction Profiles" often prove. Using much more thorough research than the simple head-count, these profiles contrive to measure the degree of satisfaction of enjoyment or fulfilment which viewers feel they get from programmes, or the significance that they attach to them, and it is notable that the most impressive Reaction Profiles are frequently produced by programmes which fail to get anywhere near the Top 20.

In some instances this is only to be expected: golf learners will naturally be especially pleased with HTV's *Master Golf*, and some Asians are likely to feel particularly well disposed towards *Gharbar* on BBC2.

But it is not only these highly specialised programmes deliberately aimed at interested minorities which produce impressive Reaction Profiles. There are others of general appeal which also manage to do rather more than just keep you mildly entertained for 30 or 40 minutes; the ones that have a little extra something in the way of insight, information, inspiration, or originality.

Many single plays and documentaries fall into this category, but the Dunkley Top 10 (which is listed alphabetically, not in order of preference) is chosen from those series which seem to me to rate high in the values measured by Reaction Profiles.

Robert Hardy, Christopher Timothy and Paul Luly in 'All Creatures Great and Small' (BBC 1)

As it happens the first on the list, *All Creatures Great And Small*, might very well be featuring in the "official" Top 10 but for the Mexican face-off between it and *The Muppett Show* which is splitting a big Sunday evening audience and keeping both series just out of the ratings. (Goodness knows what it is doing to the simultaneous *World About Us*).

It is actually not what I would normally think of as my kind of show, being in the main so sweet, old fashioned, and inoffensive that it almost makes you want to scream. It is saved by the battiness of some of its characters, and by the habit of taking actors and cameras right in among the animals: together these two factors provide a cutting edge of reality which prevents the programmes from being smothered in slush.

In this week's episode the slush was provided by the white wedding of James and Helen at the little church in the Dales (and, joking apart, the intercut shots of Yorkshire scenery are often very beautiful) and the cutting edge was represented by the dour Mr. Sidlow who despised vets, treated his own animals watched in silence by his five gormless children, and believed in ramming raw onions up a horse's rectum to cure colic. Siegfried Farnon had to shoot the horse—a plot which had the grainy feel of truth about it.

We were spared the actual sight of onion-stuffing and of shooting, yet the programme could scarcely be accused of sentimentality. Moreover, although James, the autobiographical figure, is somewhat two dimensional—not, I suspect, through any fault of Christopher Timothy's, but probably because of a lack in Herriot's original books—Robert Hardy's Siegfried has all the contradictions, moods, and mannerisms of people one actually knows.

Most telling of all, perhaps, the series, like occasional episodes of *Dr. Finlay*, does occasionally get close to the patterns and rhythms which still run through and under British rural life.

It may be dangerous to generalise after watching only two of the *Americans* series (General Tackaberry and private eye John O'Grady) but it does look as though we are seeing Desmond Wilcox at his best again here. You suddenly remember what *Man Alive* was like in the days when no journalist dared miss it. They used to tell the most unlikely stories about real people and—even more bizarre—get the people to tell their own stories.

With *Americans* Wilcox seems to have pulled it off again, finding people who are unlikely because they are so close to fictional stereotypes, and who tell their own stories to camera with amazing frankness, thanks to the extraordinary way in which Wilcox manages to conceal what would, in other interviewers, be considered impertinence. It was typical of Wilcox's effect that Mrs. Tackaberry should, with his prompting, rattle on about her continued love for her husband, adding confidentially (in front of a live film camera) "But you mustn't let *him* hear that!"

Breakaway Girls is a four-part series written and produced by Paul Watson, the man responsible for *The Family*, in which he told us all about the Wilkins family of Reading by taking a camera crew to live in their house. *Breakaway Girls* goes to the other end of the documentary scale, using actors and scripts for its accounts of girls who run away from home. The difficulty with this new series is suppressing the feelings of guilt about enjoying it as drama. Again there is that sense of truth about the programmes which is hardly surprising since all four are based on actual events.

Horizon, *This Week*, and *World About Us* are three series which seem to go on for ever and which we therefore take for granted. We shouldn't, because all three titles shelter heterogeneous collections of programmes which, judged (as they ought to be) as single documentaries are frequently outstanding. *Horizon* occasionally has a breathless quality when trying to cover too much, as with its treatment of lasers last week; *World About Us* sometimes comes up with an old-fashioned travelogue: and *This Week* allows Jonathan Dimbleby to use a tone of voice (as in his recent brave but confusing film on Ethiopia) which approaches the melodrama of Enoch Powell.

Yet such blunders are rare, and I would be loth to miss any episode of any of these series—which certainly puts them in my Top 10.

(The sight of the week was the heavily veiled and armoured *World About Us* cameraman finally driven to abandoning his camera by the notorious killer bees of Brazil which not only exist, but attacked him in force, and stung him through all his protective clothing. Greater dedication hath no member of the ACTT.)

The inclusion in my list of *Living In The Past* may puzzle those who remember my early complaints about the humourlessness of the participants in this experiment in iron age living. The fact is that their problems have become compellingly fascinating: how to make soap, and how to use clay instead for washing your hair; how to make coil pots that will withstand fire; how to keep your floor dry when your roof is still only half finished and so on. Last week in their fruitless and half naked fish-driving experiment they really looked like iron age people for the first time.

The best comedies of the season have — yet again — been *Two's Company*, which has unfortunately just finished another series, but which ITV has sustained for long enough to allow it to climb even into the "official" Top 10, a patience uncharacteristic of ITV when dealing with supposedly slightly more "sophisticated" comedy; and *M.A.S.H.* which has lost several of its main characters. Furthermore, it shows signs of incipient mawkishness (it is one thing for Radar to have a teddy bear and quite another for him to have it "blessed" by a shell-shocked bombardier claiming to be Jesus Christ). But it has not gone over the edge yet, and continues very sad and very funny.

Out of Town, which is currently brought to Londoners at the absurd time of 11 o'clock on Sunday mornings, is the long-running series about country matters presented by one of the few great naturals of television: Jack Hargreaves. He can talk about anything (maggots, a potato patch and coach springs come to mind) apparently for any length of time, seemingly without a script, without ever being less than engrossing.

Crossroads may get more viewers, but Hargreaves gets my personal Reaction Profile with no hesitation.

Palladium

Ginger Rogers

by ANTONY THORNCROFT

When Ginger Rogers plays the Palladium for the first time in 6 years, there is a danger that the audience will be there to espect the past rather than to enjoy the present. On Monday, the start of a fortnight's visit, there was no need to be polite. She was a success; she entertains still.

The omens were not good. Donald O'Connor in the first half showed what happens to artists who get out of shape—that attractively persecuted punk of Hollywood musicals of the 50s has become a blown-up bad memory. Too tubby to dance, too worried to amuse. It was all up to Ginger.

Against the rhythms of "Night and Day" and screened snatches of her dances with Fred Astaire, Miss Rogers makes a traditional entrance at the top of a white staircase. She descends. She knocks over a vase of flowers—not another reputation to be lost surely! Happily her routine is well practised and cute: a potted life-story with slides and films to place the songs and dances. It is arch; it is hammy; it is disarming.

Ginger Rogers is extremely nice and her career is one long cascade of catchy music. From Texas State Charleston Champion to Broadway to Hollywood and back to Broadway, she has introduced the musical milestone of millions of lives. She need just have been at the Palladium to be a hit, but amazingly the voice is still strong and confident; the looks, hidden in pink and blue finery, are buxom, blonde and not embarrassing; and the legs and feet are in working order and quite pretty too.

Ginger Rogers high kicks and taps and twirls and flounces. Her age becomes irrelevant. Her performance is old-fashioned in its corniness but she seems to mean it all and you don't often get the chance to see and hear "A Fine Romance," "But Not for Me," "Cheek to Cheek" and on, and on, sung and danced by Ginger Rogers. It is not a quick glimpse of the past from the sad end of the telescope but a full-blooded, lengthy show from an enormous star who is happily alive and kicking.

Soho Poly

Heather

by MICHAEL COVENEY

Glenn Chandler's little lunch-time play turns on a neatly engineered encounter between a kilted hiker, George MacFarlane (Joseph Greig), and a secretive young loner, Allan (Sean Scanlan). Holed up in a remote hostel in the Highlands about five miles from Ballantrae, Allan is mysteriously uncommunicative in the opening scene, keeping himself, his milk and his rabbit stew, to himself. MacFarlane is irate at his attitude which, apparently, scorns the unwritten fraternal laws of hostel life: In the middle of their antagonism is MacFarlane's daughter Janice (Frances Low), a ginger father's girl hiding her light under several bushels of Arran knitwear.

MacFarlane was struck off the list of youth-leaders because a boy in his care in this district "vanished." Not Allan, surely? Well, not quite, as we learn at the end of the play after a brief love scene between Allan and Janice. Allan suggests to the girl that there is a world elsewhere and produces a rock with which to bump the old boy on the head after he has been despatched on a medical mission when Allan pretends to collapse. Without giving any more away, suffice it to say that the mystery of the missing boy is solved in peculiar detail and that the surrounding atmosphere of dark fells and haunted caves closes in on the characters by curtain fall.

Brian Croucher has directed each scene to its full value, ensuring that each twist in the narrative packs maximum punch. Joseph Greig conveys exactly that pedantic sense of propriety common among people who play by the rules, while Frances Low injects vivacious life into a girl loyally traipsing through the heather to keep her father company. Sean Scanlan possibly has the most difficult task, but he manages the comedy well and is fully credible as his true colours are revealed. This is the third piece by Glenn Chandler at this address and is further evidence of his promise as a writer of delicate, lyrical sensibility.

The National Gallery Report

At a Press conference yesterday Professor John Hale, Chairman of the Trustees, announced the publication of the National Gallery Report, which records its activities since July 1975, and expresses its hopes for the future. The record is impressive: 14 acquisitions, all of major importance, some naturally rather more important than others, all but one bought one way or another out of the limited funds available, an increase of well over a million in attendance, and a gratifying extension of its educational programme.

Madame de Pompadour by Drouais, from the Mentmore collection, was indeed saved for our continuing delight, the Parmigianino portrait was picked up close to the ground, Mr. Geoffrey Agnew performing wonders in the slips, the Melbourne and Milbanke Families by Stubbs is where it should be, in our pre-eminent national collection, and the list continues with Van Dyck, Rembrandt, Corot and Delacroix and there has been a succession of splendid exhibitions.

But we cannot go on like this for ever, as Professor Hale pointed out: it is all very well to ask for £1,850,000 for this year's purchase grant, a modest enough sum in the circumstances, but Government taxation policy and the threatened wealth tax together ensure that emergencies, such as with the Parmigianino, will happen with alarming frequency. The wisest virgin can stretch her supply of oil only so far. What we need is a sane and civilised policy towards the funding of the Arts, taken outside the scope of party politics, for the sums involved are tiny, given the scale of Government spending. We have only to look at the great Veronese, bought for the Gallery in the late 1850's, and currently the magnificent centre-piece of a special exhibition, to appreciate the debt of gratitude our descendents might owe to us.

W.P.

Festival Hall

Philharmonia

by DAVID MURRAY

Diego Masson's programme with the Philharmonia on Monday night looked well tailored for him: Berlioz, Debussy, Ligeti. In the event it sounded well enough, and not unstylish, but there was more plain good sense than special finesse. There were enough small imprecisions of ensemble—and tricky passages that went better the second time round—to suggest that rehearsal time had not been over-generous. Masson's own contribution to the proceedings was generally alert and vital.

Ligeti's 1966 Cello Concerto introduced the Austrian cellist Florian Kitt to the London audience. As a soloist's piece it is almost perversely calculated to display very little of the acknowledged strengths of the instrument, while putting it through many new, unlikely and difficult hoops instead. Kitt stood his ground well, though he seemed more a *primus inter pares* than a lynchpin in Ligeti's quirky construction; his dramatic flair was perhaps not strong enough to make his ration of notes—mostly either very long ones or very short in breathless bursts—seem the heart of the matter. Masson steered the orchestra smoothly from soft tone-clusters to wry Twittering Machine exercises.

Debussy's *La Mer* had a bracing freshness, and the proper pair of cornets to match the trumpets. If the playing lacked a final polish, the music suffered nothing worse than the occasional fuzzy edge, and Masson was deft with the numerous and elusive tempo-adjustments the score demands. There were some entrancing sonorities along the way. The *Symphonie Fantastique* was a more ordinary affair, with negligent phrase-endings and some ill-tuned chords in the first movement, a pedestrian *Scène aux champs* and domineeringly lusty brass in the Finale. Londoners have been spoiled by much better prepared Berlioz performances, though newer ears ought to have found this one decently exciting—the score is proof against anything short of real ineptitude, and it emerged here with reasonable credit.

Wigmore Hall

Jenkins tercentenary

Some anniversaries arrive at propitious moments: to judge from the exemplary brochure for the series of concerts commemorating the death of John Jenkins in 1678, such a moment has come for this composer. The last ten years or so have seen much important work on Jenkins' music reach fruition: theses have been written, articles published, and (most important) collected editions of his music published — including two separate editions of his six-part consort music in the last two years (a classic example of non-communication and duplicated effort in the academic world).

Monday's concert by Ars Nova was the second of a series mounted by a Jenkins Tercentenary Committee. In an introductory talk, Dr. Carolyn Coxon provided an interesting assessment of Jenkins' art, stressing his fame not only as a composer but as a virtuoso performer and as a teacher (his career spanned 78 years, if we are to believe one early reference to his giving tuition as a very young man). "Tranquil" was her word for his music, and very apt it is too to the fantasies and fantasia-suites which comprised much of this concert—culminating with a Suite in B flat which has just been identified as Jenkins' work by Peter Holman in the January issue of *Early Music* magazine.

The tranquillity stems mainly from the smoothly-flowing lines of his music: as at the start of the lovely Fantasia No. 20 in B flat, he relies on graceful imitative writing to push the music forward, rather than powerful dissonance. I must confess that—even given performances of the sparkle and vitality which Ars Nova provided—I find this harmonious skill less to my taste than the fiercely angular inspirations of Jenkins' contemporary William Lawes (whose work is, by a happy chance, being featured in the Consort of Musicke's current Purcell Room series).

That is not to say, however, that Jenkins' music lacks fire: Duncan Druce and Mark Caudle played in this concert a brilliantly florid Sonata for violin and bass by the Austrian Johann Schmeltzer, and then followed it with one by Jenkins which was no less elaborate and exciting in its division-writing. Nor does Jenkins lack humour—indeed, this quality is perhaps the clue to the unaffected normality of the emotions which flow through his skilful counterpoint: there is a wholly delightful spirit behind *Lady Katherine Audley's Bells*, a skit on the change-ringing of Jenkins' local Norfolk towns. This was "the first polite piece" which Roger North heard the Thetford Waits "learn to perform tolerably." It would be ungracious to say the same of Ars Nova: they argued well for the music, with a style that was slightly rough, but perfectly ready.

NICHOLAS KENYON

Pilobolus Dance Theatre

Sadler's Wells Theatre

Pilobolus

by CLEMENT CRISP

A little difficult to categorise. The six American performers (4m;2f) who opened at the Wells on Monday night are called Pilobolus Dance Theatre. When they appeared at The Place a few years ago their innocence and dynamic ingenuities had a certain wayward charm, but it was as gymnasts rather than as dancers that they attracted one's interest. Now, with much more experience, and successful seasons on Broadway and beyond, they seem no more a dance theatre than they did then. Their corporate language—items are communally conceived and created—is still a kind of muscular calligraphy; their effects are still achieved by amazing physical control, remarkable balances, a kind of gymnastic legerdemain. It is the "Lucky Alphonse: in the middle again" school of movement, with bodies intertwined, but it is also curiously uncommunicative.

One must admire the control with which torso piles on torso and limbs interlock, the physical power with which the members of the group manhandle each other. There are jokes, of course, to be found in forms bent double and scuttling, or slithering over each other, or lying like a sandwich of posteriors aimed at the auditorium. The audience found much to laugh at and enjoy, to judge by the applause and cheers, but I sat unmoved by the jovialities of Pilobolus, and aghast at the more serious items.

Of choreography, on any terms other than those most basic ideas of bodies manipulated in awkward progressions, I found little trace. Pilobolus capitalises upon its members' remarkable muscular powers, but the effect is of *tableaux* barely *vivants* rather than movement developed and made expressive. A quartet for the men—*Ocellus*—has an odd, compulsive force as the four chaps propel themselves across the stage, yet more than anything else it recalls Alice's "reeling, writhing, and fainting in coils."

A bewildering piece called *Untitled* may excite some comment because two of its participants are naked, but their nudity is as inexplicable as the argument of the number itself.

Jazz guitarist Charlie Byrd on tour in Europe

Jazz guitarist Charlie Byrd will be touring Europe with his trio from April 22 until mid-May. British dates so far set include April 22, Portman Hotel, London; 25, Opposite Lock, Birmingham; 26, Concorde, Southampton; 28 Royal Exchange Theatre, Manchester; May 2, Braunston Hotel, Leicester. He is also playing at the Berne Jazz Festival at the end of April and will be touring Holland, Belgium and France between May 4-11.

Later in the year the Charlie Byrd trio will be part of a package, *The Great Guitars*, which will be completed by Barney Kessel and Herb Ellis.

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Outdoing Mrs. Thatcher

THE SELECT Committee on Race Relations and Immigration, whose first report was published yesterday, was appointed "to review policies in relation to (a) the operation of the Race Relations Act 1976 with particular reference to the work of the Commission for Racial Equality, and (b) the admission into the U.K. of Commonwealth citizens and foreign nationals for settlement." It is therefore surprising to find that the work of the Commission for Racial Equality, and indeed the institution itself, are scarcely mentioned, and that race relations are scarcely discussed. That is the first shock of the report.

Language

The second shock is the report's utter illiberality. It has become a matter of course that British immigration laws get tighter and tighter with every review. This report, however, carries the doctrine of closing the remaining loopholes to new and dangerous lengths, even while at the same time acknowledging that there has been a net outflow of people to the West Indies in recent years and that the rate of inflow from the Indian sub-Continent has been reduced. Indeed only Britain's membership of the European Community and her ratification of the European Convention for the Protection of Human Rights and Fundamental Freedoms seem to prevent the report from coming down against any immigration whatsoever, though it has to be admitted that, within those limits, it has a pretty good try.

There is a third shock in the language of double-think in which the report is written. Take, for instance, the following passage on arranged marriages: "While, in a multi-racial society, the cultural patterns of ethnic minorities should be acknowledged, we believe that the members of those minorities should themselves pay greater regard to the *mores* of their country of adoption and, indeed, also to their own traditional pattern of the bride joining the husband's family." The report is here making two quite contradictory demands: it is, in fact, impossible for the immigrant community both to adopt the *mores* of the host country and, at the same time, continue to send its daughters to marry abroad. What the report means is that as many would-be immigrants as possible should be kept out, and that as many of those who are already here should be sent home. It would have been more straightforward simply to have endorsed the views of Mr. Enoch Powell.

Seeking to justify itself, the Select Committee says of its conclusions: "Nothing in this report should give rise to fears in anyone, irrespective of race, colour or creed, who has lawfully settled in the U.K." Look again at the use of that word "lawfully." There are, in fact, grey areas where it is not clear whether some immigrants are lawfully here or not; the law itself is unclear in many respects, the more especially when it is less a matter directly of law than of practice or discretion. The use of that sort of language is likely to create new uncertainties among immigrants about their rights and to spread new suspicions about who is entitled to be here and who is a candidate for deportation. Moreover, as the report itself admits, stricter enforcement of the rule concerning right of abode would almost certainly require a new system of internal control of immigration with all that that entails in the way of identity checks.

Impractical

Two questions arise. The first concerns the kind of society in which we want to live, and the second concerns the practicality of the Select Committee's recommendations. Do we really want to move to stricter controls on movement, perhaps even to identity cards, for the sake of keeping out a few thousand Asians and getting rid of a few thousand more? How far is it from there to the pass laws? And is it really worth it? Accepting the Committee's report would mean increasing the staff of the Immigration Service, the Inland Revenue, the Department of Health and Social Security and possibly creating a new internal control service to boot. Even Mrs. Thatcher, in her celebrated remarks on the subject some weeks ago, remembered to say that one way of dealing with the immigration problem was to concentrate on improving relations between the communities already here.

Allocation of resources

YESTERDAY'S WHITE Paper on North Sea oil begins by proclaiming that the country now has a unique opportunity to improve its economic performance, raise living standards, move forward to full employment, develop as a socially just society, and do something at the same time for developing countries. This, like many other passages, reads more like an election manifesto than a White Paper. The authors (there seem to have been a good many different hands at work) clearly do not subscribe to the disaster theory, according to which North Sea oil will drive up the exchange rate to a point where our manufacturing industry becomes uncompetitive. The one reference to exchange rate policy is not easy to interpret.

On the other hand, the authors are clearly convinced that the benefit of this temporary windfall should not be frittered away but the opportunity used to re-establish the competitiveness of British industry before the oil runs out. "As a people we have been given the chance of harnessing our talents to a programme of National Recovery, that will rebuild Britain's prosperity and greatness." The oil, apparently, is a heaven-sent means of carrying through the Industrial Strategy.

No fund

It will, in fact, give us back part of what we lost several years ago through the rise in oil prices and reduce for a number of years the constraint on economic expansion set by the balance of payments. It will also mean a large increase in the revenue of central government, the allocation of which has to be decided. But the very way in which the White Paper deals with investment, unemployment, industrial democracy and so forth is a tacit admission that the main problems are what they were before, only their solution has become slightly easier. For this reason, the Cabinet has been wise to drop the idea of a special North Sea fund, the revenue of which would be devoted to specific objectives. Having done so, there seems little point in the proposed annual report to Parliament on the way in which North Sea resources have been used.

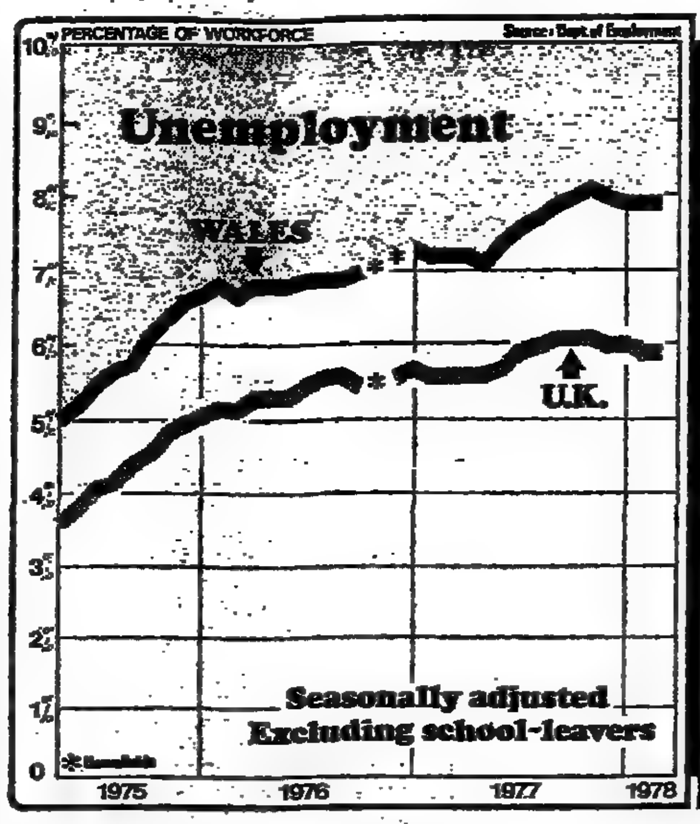
The greatly-improved outlook for the balance of payments should certainly make it possible to better our past record of economic growth. The object must not be a sharp acceleration in the rate of growth, which *would almost certainly run up* against supply bottlenecks and bring back rapid inflation, but a gradual and sustained increase. It is the possibility of being able to continue expanding for a series of years in succession which is important for bringing about a higher rate of investment in the private sector—which is undoubtedly desirable, especially in new industries rather than old.

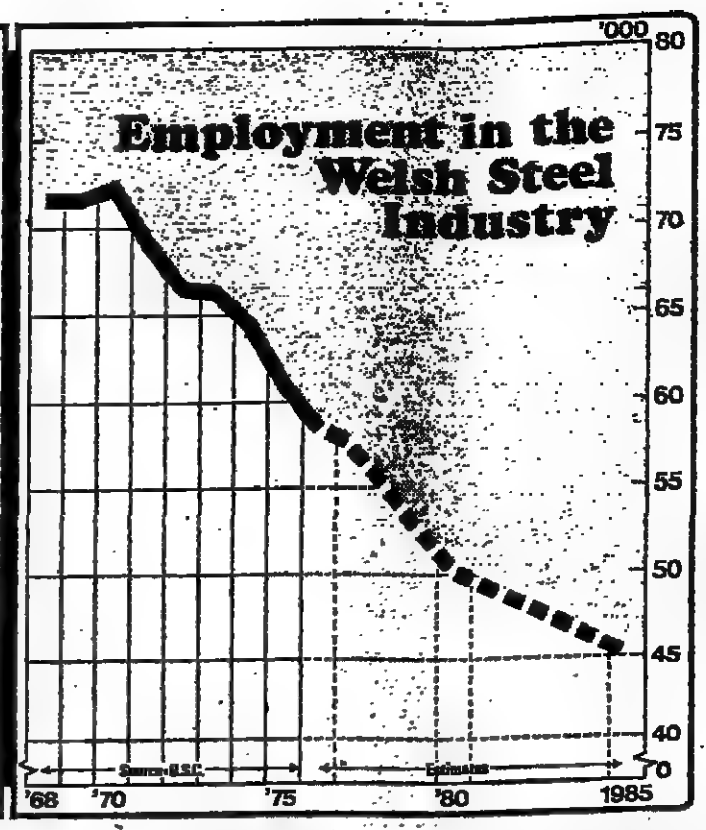
Manifesto

But the fact that we need greater capital investment is no reason for the Government to hang on to the revenue which it happens to be getting from the North Sea and doling it out on those public or private investment projects of which it approves. Consumption must increase if investment is to flourish. Consumer spending determines investment, while the savings out of higher incomes help to finance investment. It is on this point that the White Paper is most ambiguous. Not only are tax cuts coming—the outlook sketched here is rather rosier than that recently painted by Mr. Joel Barnett—but "investment can be planned and executed only within industry itself" and "the Government intends to retain a firm control over public expenditure so that it does not absorb too high a proportion of the nation's resources." There has clearly been a fair amount of disagreement between Ministers, with the main point in common between them being that the North Sea is good for the party in power when its main benefit is being felt. That, no doubt, is why the White Paper reads so often like an election manifesto.

The steel axe hanging over Welsh employment

BY ROBIN REEVES, Welsh Correspondent





WALES, already shocked by the sudden death of East Moors, is now awaiting with trepidation for to-day's Commons statement by Mr. Eric Varley, the Industry Secretary, on the future of the steel industry. Shutdown of the Cardiff-based plant, though on the cards since 1972 turned out to be much swifter than anyone imagined, and Wales has suddenly woken up to the harsh reality of the worst economic recession since the 1930s. East Moors has produced what is probably the biggest single mass redundancy in the country's turbulent industrial history. It seems that even the massive rundown of the Welsh coalmining industry — from 150,000 jobs in the early 1950s to around 30,000 to-day—never resulted in 3,100 jobs disappearing overnight. In the circumstances few people resent East Moors' well-publicised redundancy payments. They still seem a reasonable price to pay for putting on the dole a whole close-knit community in South East Cardiff, which has worked father and son for generations at East Moors.

BSC also hopes to open negotiations immediately on the closure of steel making facilities at Ebbw Vale, although the Corporation is prepared to stand by the designated closure date of March next year. For Ebbw Vale—less than 20 miles away in the industrial valleys this would mean a loss of 1,800 jobs. And once the distasteful business of closures is out of the way, BSC is bound to maintain pressure for reduced manning levels at its other large Welsh plants, Port Talbot and Llanwern in South Wales and Shotton in North Wales.

Certainly before the present steel crisis BSC was aiming to cut its Welsh labour force from 57,700 at the last count (September, 1976) to 50,000 by 1980 and to between 40,000 and 45,000 by the middle of the 1980s.

But the quid pro quo held out over the past five years for going along with this rundown was always the promise of a record £835m. investment to modernise Port Talbot and double its steel output. The Financial Times report that this investment is being much reduced has already produced a loud outcry. But it may just provide more respite for the men at Shotton, in an area where unemployment at 11.4 per cent., is the highest in Wales and the third highest in the U.K. At the moment they are relying only on the pledge of Sir Charles Villiers, BSC's chairman, that steel making at the plant will continue until 1982. If Port Talbot gets the consolation prize of a replacement rolling mill to improve quality, Shotton sheet steel would be needed to plug the gap while Port Talbot was out of action.

This wielding of the axe is hardly calculated to increase the Government's popularity. But there are no immediate signs that South Wales' legendary allegiance to the Labour Party is in danger of being seriously weakened, though it could obviously change if large numbers find themselves on the dole indefinitely. Mrs. Thatcher's brand of conservatism hardly promises more sympathetic consideration while Plaid Cymru, the chief threat to Labour in parts of Wales, has yet to convince large numbers that self-government would provide a different answer to the industry's problems.

What it has done is to wipe out at a stroke the boost to Welsh confidence which followed Ford's decision last summer to site its new European engine plant at Bridgend. Wales is instead bracing itself to pay an even bigger penalty for its dependence on a basic, declining industry. Steel is now the largest employer of male labour in Wales, and metal manufacture overall employs 8.3 per cent. of the working population compared with only 2.2 per cent. in Britain. Welsh unemployment has been consistently above the U.K. average for more than 20 years, in the present recession being surpassed only by Northern Ireland. Over the past year, the numbers out of work have been mounting by at least 1,000 a month, on average, and now stand around the 90,000 mark, which is 8.5 per cent. or 2 per cent. above the U.K. average.

In spite of the government range of temporary and youth employment schemes which are presently keeping some 56,000 people off the Welsh unemployment register, unemployment now seems bound to accelerate rapidly into six figures, that is over 100,000, and into double figures in percentage terms.

This is because—the general health of the economy apart—the steel closures will have a significant spin-off effect. Every steelworker is reckoned to support another one and a-half jobs locally, meaning the possible loss of up to 4,500 other jobs in the Cardiff area and another 3,000 as a result of the Ebbw Vale closure.

Making the outlook even bleaker in Cardiff is the fact that some 11,500, or one in 10 of the city's male workforce, are already unemployed. It is a high figure by any standard but particularly for a city of Cardiff's size and importance as an administrative centre.

Available land

The Welsh Office reckons there are some 1,500 new jobs presently in the pipeline in the Cardiff area, but two significant difficulties stand in the way of an early recovery in the level of industrial employment. One is a shortage of immediately available land for industrial development and the other is inadequate retraining facilities.

Clearance and restoration of the East Moors site will eventually free well over 100 acres for new industry; though there is some concern that the process may prove slower than is desirable because of BSC's wish to retrieve and redeploy East Moors' physical assets elsewhere within the Corporation. Work is also about to go ahead on draining a 340 acre site to the South East of the City, at a cost of £8m., which should provide ample space for new developments close to where many of the East Moors workforce live. But it will not be completed for two years.

On retraining, the present facilities do not look sufficient to cope with the East Moors bulge. The Cardiff Area has an annual allocation of 1,000 places in local skill centres but they are already heavily booked up.

Yet in spite of all these difficulties, it is hard to be gloomy about Cardiff's longer-term economic prospects. It is a growing centre which enjoys above-average amenities, has fast communications via the M4 and British Rail's high speed train, and its own port and airport. They all add up to a sound economic and social infrastructure and should be capable of attracting the industrial investment the city wants. In addition the Government is dispersing a significant number of Civil Service jobs to Cardiff which will help, but most steel workers will have little stomach or aptitude for becoming pen-pushers.

Ebbw Vale, tucked away in the heart of the industrial valleys, promises to be a far longer haul. Since closure was first mooted in 1972 special efforts have been made to attract industry to the area.

The combined efforts of the Welsh Office, the Welsh Development Agency, BSC industry, the Manpower Services Commission and the local authority, among others, have resulted in a variety of manufacturers coming to the area. But agreement to shut down the heavy end of the works altogether will throw a further 1,800 on to the labour market — some 4,000 jobs will remain in BSC tinplate manufacture—the rest will join the 10.6 per cent. already on the dole in the area.

Again, a further 1,000 new jobs are said to be on the way. Hoover's major expansion at Merthyr Tydfyl should provide openings as it has in the past, and the WDA is completing a big new industrial site at a cost of £4m. at Rassa at the head of the valleys. Even so, replacing the steel jobs is clearly going to be a slow business.

The East Moors and Ebbw Vale closures are highlighting the perennial problem of the Welsh economy. This is the need for continuous major restructuring to cope with what was recently described as: "A legacy of exploitation, particularly of raw materials, which lasted for generations without any significant investment being ploughed back — hand in hand with the creation of an economic structure grossly over-dependent on a few basic industries."

Between 1965 and 1967 the number of men at work in Wales fell by 97,000, a drop of over 10 per cent. to 611,000. A smaller proportion of the population of Wales is at work than that in most English regions. The Welsh GDP per capita in 1975 was £1,104—some 25 per cent. below the level in South-East England — not because Welsh industry is not productive, but because there is not enough of it.

An independent study commissioned by the Welsh Office on the impact of "the Government's regional policies in the 1960s calculated that between 70,000 and 80,000 jobs flowed from regional aid of well over £100m. in the period 1962 to 1972. But the authors concluded that a full solution to the imbalance in the Welsh labour market would have required the creation of 200,000-250,000 jobs. In other words, the regional aid was only one-third of what was really needed.

A more recent study within Cardiff University College estimated that Wales needed 120,000 new jobs over the coming 10 years, some 30,000 of them to replace jobs lost in the older, declining industries. The South Wales valleys alone, the study suggested, would require 100,000 new jobs by 1991 if they were to maintain population levels.

There is undoubtedly a warmer welcome for new industry in the valleys in terms of improving infrastructure thanks to the M4 and the work of the Welsh Development Agency and more recently its small country cousin, the Development Board for Rural Wales. With local authorities they are laying vital foundations by preparing industrial sites and building advanced factories, ready for an upturn in the economy. But the fear at the back of many peoples minds is that the days when Wales could look forward to increased inflows of investment from England and elsewhere given the right incentives may have gone for good.

Mr. Alan Williams, Minister responsible for regional policy in the U.K. warned a Welsh conference on employment recently that he was now encountering tremendous pressure in the South East and Midlands to undermine the regional policy—on the grounds that unemployment was now a general problem and the plight of the inner cities was equally pressing. As it is, the Regional Employment Premium has already disappeared and the negative control of the Industrial Development Certificate is seemingly being less rigorously applied to steer industrial expansion to development areas.

This is liable to be one of the key issues in the Welsh devolution debate, particularly within the Labour Party. An important plank in the anti-devolutionists' arguments is that nothing must be done to prejudice the flow of regional aid and investment from the prosperous parts of England. The pro-devolutionists riposte is that this flow has been inadequate in the past and will become even less adequate in the future and that Wales must think in terms of putting its own economic house in order.

MEN AND MATTERS

An example in the airways

While the Amoco Cadiz calamity preys on the minds of tanker owners, environmentalists and Breton fishermen, it is timely to convey a pertinent question to the worldwide shipping industry: "Why are international control systems so much poorer in shipping than in aviation?" This was put to me yesterday by Professor Rigas Doganis, a specialist in maritime affairs.

Doganis points out that the positions and routes of planes are tracked constantly, with great precision. "This is possible with craft travelling at 600 mph, ten miles up," he says, "and anyone who gets out of line is rapped very sharply." He believes that the shipping industry has fallen far behind these standards. While avoiding any comment on what happened to the Amoco Cadiz, Doganis argues that sanctions are not nearly strong enough against erring ships' captains. "The pilot of a plane can be banned for life," he says.

Doganis is director of the Transport Studies Group at the London Polytechnic and in 1976 was the senior author of a much-quoted report on "flags of convenience." I asked him whether he had any criticism of Shell, for chartering a Liberian-registered ship — a topic upon which Shell had flatly refused to say anything when I had spoken to them earlier. "The Liberian fleet to-day has generally a good safety record," says Doganis. "Matters have improved greatly since the Liberians began an inspection service several years ago." He also says that many of the world's major oil companies have their own vessels sailing under the Liberian flag.

But the sharpest comment that Doganis has on the Amoco Cadiz disaster is once again a comparison with aviation standards: "The fail-safe mechanism that could have prevented the Brittany accident must be made compulsory. In aircraft, vital equipment is always duplicated. Why not in ships?"

Country matters

Premier Callaghan declared yesterday that the White Paper on what to do with our North Sea oil wealth "matched his definition of socialism." It certainly does not match any of the views of the magazine Vole, which speaks for what might be defined as the radical rural intelligensia. It has just brought out an alternative White Paper. This advocates, first and foremost, that the oil wealth should be used to create thousands of smallholdings all over the country—arguing that these are most productive, acre for acre.

It proposes that when large farms come on the market, all land over 1,000 acres should be sold to the State at not more than £500 an acre and turned into smallholdings. "This will drive out the insurance companies and the like who are buying land as a hedge against inflation." I asked whether the authors of the scheme wanted to turn Britain into a nation of peasants. The reply was a confident yes. Far too socialist for Jim, for sure.

Mary's bad books

Mary Whitehouse suspects a plot. The publishers of Britain's "adult magazines" announced yesterday the guidelines by which they will exercise self-control. But she sees it as "a most dangerous move, not to be taken at face value."

She says: "They are trying to take the heat out of the debate. It has taken us 16 years to build up public concern and they know you cannot rebuild this once it has faded."

I ventured to suggest that with former chief film censor John Trevelyan at its head the publishers' Publications Control Board—which will apply these guidelines—could draw on a fund of experience. But Mrs. Whitehouse has her own stern views on the state of the British cinema: "If the publishers really wanted to become respectable they should not have invited Mr. Trevelyan."

Trevelyan himself is quite relaxed about Mrs. Whitehouse's criticism. They had met last autumn during a Granada television debate on what he calls the "Messianic attempts" by Chief Constable Anderton of Manchester to clean up the city. He told me he does not enjoy the magazines he has to read but that the Board is "an interesting diversion in retirement."

Unlike Mrs. Whitehouse he sees morality as an evolving concept and believes his job is, as it was with films, "to hold a reasonable balance between what the public wants and what is dangerous in terms of harming people or breaking the law." He says he has been told by the trade that 10-15m. people from all walks of life read "girlie magazines." The Board's sanctions include the right to stop distribution of magazines which break their rules covering "over-explicit sex, harmful sex and illegal sex."

Mrs. Whitehouse has the clearest views on where the lines should be drawn. But she is anxious about the courtroom outlook. She may just have triumphed over barrister John Mortimer in the Gay News blasphemy appeal but she says that the police knew that if magazines are defended by him in court they will be acquitted. "He has written plays himself and is a brilliant communicator. He makes it seem a joke and the jury believe that they are 'too adult' to convict."

Not on your life

There were a plethora of calls offering personal horror stories about "clip-board selling," following yesterday's report in this column on the use of the technique by a certain section of the life insurance business. I was also telephoned by Mark Weinberg, managing director of Hambro Life. It seems that his morning was not improved when he read the remark by brokers Berkeley Walbrook that they might be selling Hambro Life policies as a result of clip-board canvassing. "Last October, we severed our agency links with Berkeley Walbrook," says Weinberg. Why? "Because of their clip-board methods."

Observer

BY SIR HENRY BENSON

Flaws in the UN's disclosure proposals

[NE]W AND wide-ranging dis[clos]ure rules for transnational [corp]orations have recently been [prop]osed by a Group of Experts [in a] report* issued by the UN. [The] scope of these disclosures [go] far beyond present report[ing] requirements in any of the [worl]d's advanced industrial [econ]omies.

[Th]e UN report gives detailed [lists] of suggested minimum dis[clos]ure requirements for both [finan]cial and non-financial [item]s. It is meant to apply to [any] transnational corporation—[defin]ed as a company or group [whic]h operates production or [servi]ce facilities outside the [coun]try in which the company [or it]s ultimate parent is based [and wh]ich meets two of the fol[lowin]g three criteria: total [asset]s of more than $50m.; net [sales] of more than $100m.; and [an av]erage of at least 2,500 em[ploy]ees during the reporting [perio]d.

[Th]e report makes it clear [that] in discussion, individual [expe]rts expressed a wide range [of vi]ews but that their specific [conce]rns and positions are not [reflec]ted in it. Yet evidence [of th]is diversity—only to be [expec]ted in such a controver[sial] area—is lacking from the [publi]shed document which says [that] a broad consensus [emer]ged "on a number of [issue]s."

[Th]e report is to be discussed [by t]he UN Commission on [Trans]national Corporations in [May]. The UN Secretary-[Gene]ral Dr. Kurt Waldheim [has a]lready suggested that the [Comm]ission should then con[sider] recommending that mem[ber g]overnments, including the [UK,] commit themselves to [takin]g legislative action to [make] the Group's proposals [mand]atory.

[Th]e Group of Experts has [ident]ified the need for two sorts of reports: General Purpose Reports, which serve as the basic vehicle of communication with the public, and Special Purpose Reports, which fulfil the need of special interest groups for specific and detailed information on the company. Such special reports may be either accessible to the public or confidential, and because they are by their nature specific to a particular set of circumstances the Group felt unable to lay down any minimum requirements. The disclosure lists produced therefore apply only to General Purpose Reports.

Broader

The group took note of the work of other organisations including the International Accounting Standards Committee (IASC) but felt that its own task was broader. It therefore adopted as a nucleus the IASC standards on information to be disclosed in financial statements but added new features. In addition, however, it has specified a formidable list of items of a non-financial nature, covering labour and employment, production, investment plans, organisational structure and environmental measures. The two examples given indicate the typical amount of detail which is required. The individual member company is asked to include in its labour and employment report a statement of the "number of women employees by function" and, in its production report, a "description of practices regarding acquisition of raw materials and components (indicating the percentage acquired from inter-company foreign sources and the percentage from all foreign sources)."

The group's long-term objective, which is to provide adequate and comparable information to all parties with a legitimate interest in the activities of transnational companies in order to enable them to make rational decisions, appears so reasonable as to be beyond reproach. I am indeed in sympathy with many of the aims and aspirations of the Group of Experts. Agreement on objectives does not, however, imply agreement on the means of achieving them, and the report of the Group of Experts raises three serious doubts:

- Is the United Nations the appropriate forum?
- Is the preparation of long lists of mandatory disclosure requirements the best way of achieving the objective?
- What are the costs and benefits of the additional information?

Trevor Humphries

Sir Henry has been Industrial Adviser to the Bank of England since 1975, is a former chairman of the International Accounting Standards Committee and a former senior partner of Coopers and Lybrands.

The right place: The UN has over 100 member states ranging from the most advanced industrial economies to the least developed agrarian societies, from conservative capitalist states through the whole political spectrum to far Left-Communist republics. Not all member states subscribe equally to the doctrine of openness and publicity—"transparency"—for business information and there is a real danger that countries with no commitment to the concept of transparency will support proposals for increased corporate disclosure in order to use them as a political weapon, either against mixed economies in general or in order to obtain particular advantages.

Apart from the political danger, there is a practical problem involving all the member states of the UN. The availability of an adequate professional and technical infrastructure varies greatly from country to country, and is adequate only in a handful. The transnational corporations may well have the capacity to comply with such requirements, but a great many of the local companies and corporations will not. The effect could, therefore, be to discriminate against the transnational companies and the Group of Experts recognises this danger, recommending that its proposals should be made generally applicable.

The right method: The task of drawing up long lists of disclosure requirements is easy work but doctrinaire proposals which take no account of realities are more likely to invoke ridicule than compliance. Reports from different companies even within one country are not always comparable, as the Group of Experts found, and this is so even where there are comprehensive disclosure requirements, as in Britain. The basic conceptual difficulty with the preparation of comparable corporate reports is the lack of uniform and comprehensive accounting standards.

Steps have been taken, both in the U.K. and elsewhere, during the past seven years to produce such standards. Since 1973 the IASC has been working on the establishment of internationally-accepted standards and, from the beginning, adopted the policy that they should be short, clear and uncomplicated. Evidence of the success of IASC's approach is provided by the response of the 53 national accountancy bodies in 41 countries who make up its membership. Most, including those in the U.K., are encouraging their membership, with a heartening degree of success, to adopt them.

The fact that, even after five years, such a widely-based body is very far from defining a comprehensive set of standards for use in all circumstances is an indication of the complexity of the issues involved and the length of the time-scale needed. It is my strongly-held belief that the first priority should be to establish a comprehensive set of basic standards governing the preparation of accounts and that any attempt, at this stage, to introduce a complete code for the disclosure of financial and non-financial information will fail. An additional problem of comparability is introduced by the non-financial disclosure requirements specified by the Group: much of the information required is so vague that the responses from companies are likely to be either useless or positively misleading.

Costs and benefits: The Group states that it has not costed the burden which the additional information requirements will impose. This is an astonishing omission because the cost will be significant. Extremely full financial statements are asked for at a multiplicity of levels which, with the demand for detailed information on a wide range of non-financial subjects, go far beyond what is required at the present time.

There is also a need to identify the interested parties who will derive benefit from the proposed disclosure requirements. The group's discussion on special purpose reporting makes it clear that the detailed needs of governments, local authorities and trades unions should be covered by ad hoc reports. The group acknowledges that governments already have the power to call for such reports, and indeed in most developed countries governments already do so. The specific needs of these groups, for the purpose of decision-making, are not therefore to be supplied by the list of disclosure requirements now proposed for general purpose reports.

Nor, apparently, is concern for the needs of investors and creditors the main driving force behind the requirements proposed for general purpose reports. The group observes that annual reports currently produced by transnational corporations are aimed largely at the needs of this section of the public, and should be widened to serve the interests of "society at large and the international community as a whole." Since this vague category is in addition to investors, creditors, governments, trades unions and local authorities, and as it is not described more precisely anywhere else in the report, it is difficult to be confident that the group has undertaken adequate research to identify the existence of this category of persons, and, if it exists, to establish that it will comprehend the information when it is produced and use it effectively for any useful or legitimate purpose.

Disadvantage

The group recommends that its proposals should apply equally to national and transnational corporations of equal size, but acknowledges that such a recommendation is outside its terms of reference. There is a possibility, therefore (which those engaged in multi-national trade will readily discern), that these proposals will be applied only to transnational corporations. Such a step would be discriminatory, and put transnationals, and their subsidiaries, at a significant disadvantage when competing against national companies.

The aim of the Group of Experts to move towards comprehensive, internationally comparable, corporate information is a laudable one but I do not believe that for the UN to lay down a code for corporate disclosure as a separate exercise from the development of basic accounting standards is an appropriate way of achieving this objective, and the mechanism by which the Group is seeking to achieve their objective is fraught with political danger. The scale and scope of the requirements for disclosure are over-ambitious and risk encouraging discrimination against the transational company at a territorial level. Due consideration does not appear to have been given to the cost and effort involved in their implementation.

The Group of Experts has acknowledged the work being done by IASC in establishing internationally accepted accounting and reporting standards. As IASC is an association of accounting organisations, all committed to the concept of transparency and with the will and the wish to develop internationally comparable reporting standards, it is by far the best vehicle for furthering international comparability in the most effective and practicable manner. It is to be hoped that the Commission on Transnational Corporations will decline to accept the recommendation of the Group but will instead take account of IASC's great experience in the development of standards and invite it to consider the Group's proposals on financial disclosure within its own programme. I have no doubt that IASC would respond to such a request.

**International Standards of Accounting and Reporting for Transnational Corporations* (published in December, 1977 and available from the UN sales section in New York for $3.50 a copy).

Letters to the Editor

[N]ot a mug's [g]ame

[From] Mr. A. Henfrey.

[Sir,]—Adrienne Gleeson (March ...) oversimplifies considerably [when] she describes option buying [as a] mug's game." It is true [that o]ption buyers lose their in[vestm]ent on most of the options [they] buy, but this does not of [itself] make the purchase of call [option]s irrational.

[In] the first place the risk of [loss] has to be set against the potential gains if things go [well a]nd there must also be taken [into c]onsideration the fact that [the ou]tlay for a call option may, [in mo]ney terms, be very much [less t]han for the corresponding [numb]er of shares and the poten[tial f]or loss in money terms is [corre]spondingly very much [small]er. Risk and reward [usu]ally correlate well in [secur]ities markets and the [option]s market is no exception. [You p]ay your money and you [take y]our choice.

[Fur]thermore, when markets [are v]olatile and uncertain it can [make] much more sense to pur[chase] call options with a small [propor]tion of one's investment and use the remainder to [purcha]se gilt-edged securities [than t]o purchase shares and this [strateg]y may be much less risky. [Wha]t one in effect is doing is [creati]ng a portfolio of "do-it-[yourse]lf" convertibles and these [are n]ot generally regarded as speculative securities. [What] matters to the investor in [the lon]g run is not the riskiness [of any] single part of his port[folio] but the riskiness of his [portfo]lio in toto. Options can [be com]bined in portfolios in high [or low] risk ways entirely at the [discret]ion of the investor.

[The] fact that call option pur[chaser]s lose money on their call [option] purchases most of the [time d]oes not make them mugs. [Afte]r all we all insure our homes [agains]t theft and fire. Yet the [fact th]at we are virtually assured [of "lo]sing" our premium outlay, [since] theft and fire are merci[fully] infrequent occurrences, [does n]ot make us irrational in [ou]r insurance policies.

[Anthon]y W. Henfrey.
[...] House,
[...] Little Trinity Lane, E.C.4.

[A] monetary [av]alanche

[From] Dr. G. Myddelton.

[Sir,—]The persistent melting of the value of paper [money] which really started with [the aba]ndonment of gold coinage [...] is probably reaching its [end-p]oint.

[Econ]omists never seem to [underst]and what isn't in the text-[books] but something that has [not h]appened before is prob[ably g]oing to happen now—a [monetar]y avalanche—when the towering mass of paper [money] will collapse in a frantic [scramble] to achieve conversion [into tan]gible assets. Governments [may ho]pe that this will never [happen], and that they can go on [borrowi]ng without ever paying [back, ju]st as they never had to [pay bac]k what they borrowed in [...].

[Sixty-]four years later the [pound i]s now only worth 11.2 per [cent. of] its original value in gold, [the Fre]nch 4.4 per cent. and the [Italian] Franc ¼ per cent. Only [the stu]bborn Swiss have managed [to keep] as much as 31 per cent. [of the v]alue of their Franc, and [now the]y are being almost made [to apolo]gise for it!

[A monet]ary catastrophe can only [be avoi]ded by going back on the [gold st]andard, not just with [promise]s on paper but with [actual] gold coinage that people [can put] their faith in. One more [devalua]tion would be necessary to take up the slack, and then the major currencies could be clamped into the permanent alignment of fixed exchange rates, all exchange controls being abandoned and transfer of capital becoming free.

I suggest that the U.S. dollar should be defined as worth 100 milligrams of gold, the Pound 200, Swiss Franc and Deutschemark 50, the French Franc 20 and 100 Japanese Yen to equal 40. An the international gold coin could be minted by each country in its own traditional style containing 10 grams of fine gold and worth £50, $100, DM200, Sw.Frs.200, Frs.500 and Yen25,000. This corresponds roughly to the present exchange rates and would represent a final devaluation of paper currency of about 40 per cent. in terms of gold.

Geoffrey Myddelton.
Blue Moon,
1867 Glutieres-sur-Ollon,
Vaud, Switzerland.

Pension fig leaf

From Mr. A. Furse.

Sir,—Mr. Johnston's letter of March 16 implies that the number of private sector schemes maintaining cost of living increases—or "substantial" increases — is significant. The director-general of the Royal Institute of Public Administration rather spoils the effect (March 17) by emphasising that 94 per cent. of the schemes surveyed by the National Association of Pension Funds failed to increase pensions in line with the index.

The Government Actuary manfully defends the adequacy of the extra 1¼ per cent. deduction for indexation of civil service pensions (making 18¾ per cent. in total) but resolutely ignores the fact that this was based on the assumption that interest rates would remain at 8 per cent., salary inflation at 6 per cent. and pension increases at 2½ per cent. per annum. At the risk of being a bore, may I repeat that:

The Independant Actuary reported to the Select Committee on November 10, 1976, that had the figures been based on rates of 8 per cent. in each case the correct deduction from salaries would be 35 per cent. of salary, that is, 18 per cent. for indexation rather than 1½ per cent. It is a matter of record that annual increases since 1971 have been very much higher than this and the Actuary's protestations should be seen as a fig leaf held up by the spokesman of a privileged minority group.

If increases in pensions paid to the public sector are not restricted to the levels forecast when assessing the cost, or similar pensions on similar terms are not made available to all, the grave injustice of arbitrary privilege to the minority will grow steadily worse.

A. W. Furse.
Nerquis, Mold, Clwyd.

Keep the ferry

From Mr. J. Potter.

Sir,—Vintage transport on road, rail and in the air either makes for big business or for big news these days and in this context surely Sealink's efficient accountants can cook up some way of keeping the very last steam-engined paddle ferry, Lincoln Castle, on the Humber, left in service in English (as opposed to Scottish!) waters, still going, as a tourist attraction.

Government intervention is needed in this case. The local authorities are obviously incapable of shouldering the burden. It is a national rather than a local matter and the English Tourist Board would be able to "go to town" so far as American and European tourists were concerned if it was (like the Swiss, the Austrians, the Germans, the French, the Italians, the Danes and the Norwegians), able to offer a really old-fashioned ship for visitors to sail on. People are fed up with vending machines instead of barmaids, plastic instead of wood, and noisy, vibrating diesels instead of the dignity and excellence of shining steam reciprocating machinery.

All these factors could so easily be turned to commercial account — given the merest spark of imagination!

John Potter.
28, Derek Avenue,
Hove, Sussex.

The uses of land

From Mr. P. Minton.

Sir,—If Mr. Brady (March 18) has really read Henry George then he knows that a land value tax would be levied on the undeveloped value of land. Any land valuer can tell him what that means as he or she can put a value on land developed or undeveloped!

Let me use the example of the piece of scrub-land which adjoins my garden. At present it has a value, by virtue of its position beside a road and mains services, but it is small. None the less, it does have a value for some marginal agricultural use. The elected representatives of the people have refused any form of development and so the value is held down to that of agricultural use.

If that land was taxed on its undeveloped value, that is in its present condition, it would provide an incentive to the owner to turn it from the scrub that it is into something better. There would, though, be no extra tax to pay on that improvement. But, say the council had a change of mind and gave permission for the erection of a house in that scrub-land, immediately the site would increase sharply in value —it would be a building plot in a very desirable area. So its undeveloped value would rise to take that permission into account —and the tax levy would also rise. And why not? The owner has done nothing to produce that increase in value.

Pressed, however, by the outflow of land value tax, the owner has an incentive to complete the development. Since there is no additional tax on the improved value (that is, that part brought about by the building, landscaping, etc.) it behoves the owner to develop to the best standard possible.

If that had happened on every site for which planning permission had been given in the past 20 years we would not be surrounded by to-morrow's slum offices, slum factories, and slum houses.

Through the planning system we could still control development but, with LVT, we would be able to recoup to the community that value we add when we give permission for change of use of any land. In addition, the LVT levy would be providing a positive incentive to fetch land into its fullest use.

Peter Minton,
Underwood,
Hardwick Road,
Whitchurch, Reading.

Site value taxes

From Mr. A. Gray.

Sir,—Mr. Brady (March 18) is clearly confused about the simple notion of collecting site value taxes for communal purposes. He obviously cannot see the radical change that would occur if this method were to replace the current main taxes on production—income and corporation tax and the employer's national insurance contribution.

To aid his understanding, let me postulate a situation in which the main source of State revenue arises by the collection of annual site value. This value would be ascertained by the interplay of the individual's desire and financial capability, with the market. Essentially, all land users compete towards the central or prime sites and thus the market establishes a high annual rental. The man that can afford, and wants to pay, the highest price becomes the proprietor of the most central site. At the other end of the scale, the site at the margin, commanding no competition, falls freely to the proprietor with little or no means.

The beauty is in a man being in complete control of his destiny within the constraints of his gross income. The effect is that high-priced central sites are used intensively and efficiently while the marginal sites allow cheap living and become a cultivating ground for the young and competitive, places for new ideas to be tested, the sites where innovation develops freely. This is not at all the picture of chaos dreamed up by Mr. Brady, but the precise opposite. Harmonious order, balance and plenty of funds flowing into the Exchequer.

This system is a world apart from nationalisation, for true liberalism has no need or desire to control. Only state Socialism has the fear that the individual cannot be trusted. In fact, because this system can only collect the market value of a site it is dubbed a "natural" system and has for its overseer the Inland Revenue and not Parliament. Hence the individual remains, like the yeoman of old, free and independent in control of the land he uses.

Adrian Gray.
31, Russell Road,
Wimbledon, S.W.19.

The Horn of Africa

From Mr. N. Travers.

Sir,—Your correspondent in Mogadishu ("The West loses a battle," March 15) sadly seemed to understand very little of East African power politics, and know even less of East African history.

Soviet support for Ethiopia had very little to do with strategy—the USSR was in a far more powerful position when it possessed base facilities at Berbera in Northern Somalia as well as at Aden and effectively bestrode the Gulf of Aden. The Russians changed sides for a very different, and very paradoxical reason. The USSR stopped supporting Muslim Somalia and switched to supporting Christian Ethiopia because Russia has traditionally protected orthodox minorities ever since the Tzars first fought the Turks.

Ethiopia risked being destroyed between the millstones of Muslim Eritreans (supported by Muslim Sudan and Muslim Saudi Arabia) in the north, and Muslim Somalis (supported by Muslim Saudi Arabia and Muslim Iran) in the south.

Paradox lay in the fact that two Communist, but traditionally Christian, states (the Soviet Union and Cuba) defended a third Marxist, but traditionally Christian, state against a collection of devoutly religious, but Muslim, adversaries. Further paradox lay in the fact that Ethiopia also drew support from Israel, the home of a community once much persecuted by Russia, but now most interested in maintaining the independent strength of any opponent of pan-Arabism.

To claim that the West had lost a battle was thus very much beside the point—and in fact the West may well have gained in strategic terms. Your correspondent's evident sympathy for the Somalis was also sadly misplaced. The nomads of the Ogaden possessed little, if any, nationalist esprit prior to the war, and much preferred to graze their arid land in peace, paying as little attention—and less tax—as possible to government of any kind.

Siad Barre's ambition to become a Muslim leader of consequence, however, pushed a poor and backward country into a stupid and profitless war. It stands much to President Carter's credit that he ignored Arab pressure for military aid to Somalia.

One can only hope now that the Somali President and his backers have learned their lesson—or perhaps the Somali army will seek to avenge its dead on the leader responsible for the recent slaughter. The Horn of Africa barely survives in times of peace—only the vultures welcome war.

Nicolas Travers.
Birchfield Cottage,
Middle Green,
Slough.

Management voices

From Mr. W. Branagan.

Sir, — What has management come to when it wants a third party to negotiate for it? I was always told that management must manage!

Maybe I have missed the point made by Mr. J. Appleyard (March 18), having not read Mr. Ray Close (March 15) on the "British Institute of Management managing to make itself heard." Certainly, I have no objection to my managers joining "professional institutes," in fact I actively encourage it, where I think the potential dialogue will broaden the individual's approach to his job—but when he wants someone else to fight his battles, then in my opinion, he forfeits the right to call himself a manager!

Someone please tell me where the buck stops and responsibility starts, or are we really a nation of sheep—waiting for a collective movement to where the grass is thought to be greener?

W. R. Branagan.
East House, Hookshill Place,
Esher, Surrey.

Water rate rise

From Mr. R. Morris.

Sir, — Together with other residents in this area, I have received my bill for the water rate and am appalled to see that this has risen by the alarming figure of over 84 per cent.

How can public authorities increase their charges by such a large proportion when individual income rises are pegged at a maximum of 10 per cent? Indeed, according to official figures, incomes are rising at under 7 per cent.

We hear of inflation coming down to single figures and how everyone is going to be better off, but if it is open to the growing nationalised sector to submit accounts which are not kept within the guide-lines which apply to the private sector, I fear for the future of our country.

R. A. Morris.
5, Wicks Green, Formby,
Liverpool.

To-day's Events

GENERAL

Labour Party national executive meets.

Mr. Eric Varley, Industry Secretary, announces future plans for the steel industry, and also answers Commons question about development plans for British Leyland.

TUC General Council meets.

Rail pay talks resume.

Mr. Andrew Young, U.S. Ambassador to the United Nations, arrives Lusaka prior to addressing the Council of Namibia.

Report on health and safety in the construction industry.

Mr. F. A. Laker, chairman and managing director, Laker Airways, is guest speaker at Canada-U.K. Chamber of Commerce lunch, Inn on the Park, W.1.

"Communicator of the Year" award, Savoy Hotel, W.C.2.

Design Council 1978 awards for engineering and medical equipment.

London Chamber of Commerce seminar on Pre-Shipment Finance, 69, Cannon Street, E.C.4, 10 a.m.

PARLIAMENTARY BUSINESS

House of Commons: Bill will be introduced providing compensation payments arising from ordering Drax B coal-fired power station, and giving effect to an international agreement on safeguards for nuclear material. Debate on Windscale inquiry report. Motion on EEC document on Cyprus.

House of Lords: Debate on recommendations made in reports of Committee on Mentally Abnormal Offenders. Debate on sale of arms to China.

OFFICIAL STATISTICS

Capital expenditure by manufacturing, distributive and service industries; and manufacturers' and distributors' stocks (fourth quarter, revised). Bricks and cement production (February).

COMPANY RESULTS

Bejam (half-year). C. T. Bowring and Co. (full year). Molins (full year). Rockware Group (full year). Thomas Tilling (full year). Tube Investments (full year).

COMPANY MEETINGS

See page 25.

COMPANY NEWS + COMMENT

'Imps' forecasts first-half profit drop

AN "APPRECIABLE decline" in first half profits was forecast by Mr. John Pile, chairman of the Imperial Group at the annual meeting yesterday. He said that trading results were lower in the first three months than in the equivalent period last year and he expected that trend to continue.

But Mr. Pile was much more hopeful for the second half, looking for a reduction in personal taxation to increase demand for Imperial's consumer products. Overall he anticipated that results for 1978 will prove "at least as good as those for 1977."

A representative of the Campaign for Real Ale (CAMRA) Mr. Neil Harris, asked whether further brewery closures were planned in view of the new capacity being created in the South at Worton Grange. He commented that the existing breweries were operating below capacity already.

Real ale for the North

Mr. Pile replied that the new brewery would be able to produce lager, unlike the existing breweries. And after the meeting he added that he could not predict whether or not the older breweries might be closed one day or not. This depended on how the beer industry developed in future years. But if closure did become necessary, there would be full consultation with the unions several years beforehand.

CAMRA also suggested that Courage (an Imperial Group subsidiary), should supply real ale in the North in the same way as Watney, Allied Breweries and Whitbread. Mr. Pile replied that demand in the North had not so far warranted the introduction of cask-conditioned beer there, but the situation would be monitored.

Most of Mr. Pile's address to shareholders was taken up with his views on the business climate generally. He opposed legislation to compel more information in annual reports and complained about the number of policy reversals by Governments. He hoped that a more "cohesive" approach could be achieved and proposed a body "representative of many groups concerned with our industrial success" to report publicly on the issues of the day and send representatives to "Neddy."

COMPANY HIGHLIGHTS

Armstrong Equipment	Sanger (J. E.)
Bemrose Corpn.	Talbex
Cope Allman	Tomatin Distillers
Garton Eng.	Turner (W. E.)
Gillett Discount	Watmoughs
Imperial Group	Weir Group
Morrison (Wm.)	Western Motors
Rediffusion	

Skol Breweries growth slows

Allied Breweries' Dutch subsidiary, Skol Breweries, saw a slowing down of its profit growth in 1976-77 although sales increased more strongly. Net profit rose 3 per cent. (12 per cent. in 1975-76) to Fls.7.6m., while sales rose 14 per cent. (8 per cent. in 1975-76) to Fls.539m.

The stagnation of profits was due to fierce price competition and a higher tax charge, Skol said in its annual report for the year ended September 24. The company was able partially to compensate for this and for the poor summer weather, by increasing efficiency, expanding its wine and spirits operations and raising exports.

The company is continuing to expand its sales of Skol beer but brand loyalty to other Dutch beers means this is a slow process. Skol has an estimated 15 to 20 per cent. of the Dutch beer market.

Garton Eng. advances by 28%

WITH TURNOVER up from £9.05m. to £11.17m. taxable profit of Garton Engineering climbed 27.9 per cent. to a record £1.05m. in 1977 compared with £821,000 previously.

Mr. Aubrey Garton, the chairman, says that the result was achieved despite the improvement in world trading conditions, which helped increase profits in 1976, faltering in the second half of 1977.

At halfway profit was ahead from £343,000 to £502,000. Throughout the year capital investment continued.

Mr. Garton says trading in the early part of the current year has not shown the degree of improvement achieved in the corresponding period last year, although sales figures are marginally ahead.

For this reason the profit increase for the latest year is not expected to match the rises in 1977 and 1976.

Satisfactory results are however expected through continued efforts to increase efficiency and improved home and overseas market penetration.

The result for this manufacturer and distributor of precision engineering components and fasteners is before a £52,000 extraordinary profit from the sale of quoted investments. Net profit comes out at £567,000 (£393,000).

Earnings per share are shown at 16.1p compared with 12.3p last time.

A final dividend of 3p takes the total payout for the year to 5.7p net per 10p share.

● **comment**

Garton Engineering's near 30 per cent. advance in pre-tax profits for the year owes much to a good contribution from its forgings and pressings products and special parts. These increased sales from around £3.75m. to £5m., out of a total turnover figure of £11.17m. The products are designed to customer specifications and as such there is a more flexible pricing policy. However the general level of industrial activity showed a slowdown in the second half, and Garton's profits advance was trimmed from a first half gain of 46 per cent., to a second half improvement of 14.6 per cent. However, the group has a broad customer base with only 22 per cent. of output linked to the motor industry so there should be some cushioning in the current year. Meanwhile the group has managed to reduce its overdraft by over a tenth to £858,000. The shares at 87p (up 4p) stand on a p/e of 5.2 and yield 10.3 per cent.

Wolf Tools climbs to peak £2.7m.

ON TURNOVER of £16.28m. compared with £14.08m. previously, pre-tax profit of Wolf Electric Tools (Holdings) advanced from £2,394,892 to a peak £2,687,945 in 1977. A one-for-two scrip issue and a £1m. increase in authorised capital to £3.5m. are proposed.

At half-time profit was up from £0.99m. to £1.21m., and directors predicted satisfactory full-year results.

After tax of £1.44m. (£1.25m.), net profit emerges at £1.25m. (£1.15m.), before extraordinary debits of £94,823 against credits of £151,580 last time.

Mr. G. M. Wolfe, chairman, says the strengthening in sterling in the year resulted in profits of overseas subsidiaries being reduced by £91,948.

Earnings per 25p share are shown at 14.51p (13.37p).

The annual dividend is 1.9p compared with 1.7p and will absorb £163,337 (£146,143).

BOOKER McCONNELL

Due to a typographical error the comment on Booker McConnell yesterday showed profits growth on the food distribution side at 7 per cent. This figure should have been 77 per cent.

Second half downturn at Bemrose

TURNOVER FOR 1977 of Bemrose Corporation rose from £33.02m. to £39.89m., but pre-tax profits fell from £2.19m. to £1.78m. after a marginal increase from £1.13m. to £1.16m. in the first half.

The directors say that profits slipped back mainly because of the sharp downturn in world demand for printed polyester fabric which "turned the excellent gravure transfer printing profits of 1975 and 1976 into a substantial loss in 1977."

A contributory factor in the loss was the reduced sterling currency value of exports.

Earnings are shown to be down from 10.84p to 7.77p per 25p share. The final dividend of 1.914p net lifts the total from 2.6936p to 3.828p on capital increased by the rights issue last May. Treasury permission has been obtained.

Extraordinary items include £82,000 for goodwill written off, plus £32,000 for closure and relocation costs arising mainly out of the transfer of the specialist typesetting activity from Preston to Derby.

The programme of plant modernisation, which contributed to the results, continued to receive a high priority with a record £2.92m. invested in 1977.

As a result, actual corporation tax payable is again minimal, due primarily to the effect of capital allowances.

● **comment**

Bemrose's full year figures have been hit by the problems in its transfer print activities. A turnround of over £900,000 to losses in transfer print was caused by the worldwide slump in polyester fabrics caused by a sluggish demand, and overcapacity in the market which in turn has depressed prices. However the group's other activities—flexible packaging, printing and publishing—offered some support. The weakness in the second half, taxable profits down from £1.06m. to £623,000, was not helped by the downturn in the contribution from cartons. Demand for cartons had been hit by the poor summer which led customers such as Walls to reduce their order intake. Flexible packaging sales increased 17 per cent. to £11m. thanks to continued re-ordering from large customers such as Rowntree and Unilever, while on the printing side the jump was from £10.7m. to £14m. There are no balance sheet strains: net borrowings of £3.5m. account for only 38 per cent. of shareholders funds. At 65p (down 1p) the shares stand on a p/e of 8.1 and yield 9.2 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Armstrong Equip. ......int.	0.8	May 18	0.73	—	2.03
Bemrose Corpn.	1.91†	June 2	1.35	3.83†	2.69
Capseals ....int.	0.88‡	May 24	0.8	—	1.73
Cope Allman ....int.	1.54	June 30	1.4	—	3.14
1st Guernsey Secs.	3.5	May 4	3	3.5	3
Garton Engineering	3	July 3	—	5.7	5.14
Wm. Morrison	1.29	May 20	2.02	2.26	2.03
J. E. Sanger ....int.	nil	—	1.75	—	4.4
Southampton, I.O.W.	5.51	May 24	5	8.94	8
Tomatin Distillers	2.22	—	1.87	3.03	2.71
W. & E. Turner	1.23	May 5	1.09	1.74	1.56
Watmoughs	2.96†	June 9	*1.62	*3.63	*2.22
Weir Group	3.51	—	3.19	5.2	4.73
Western Motor ...2nd. int.	1.54	June 3	1.65	2.2	2
Wolf Electric Tools	1.9	—	1.7	1.9	1.7

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ 1.8988p total forecast.

CAI does better than expected in first half

ALTHOUGH pre-tax profits of Cope Allman International were down from £3.94m. to £3.74m. for the six months to December 31, 1977, they were better than forecast last December. Mr. Louis Manson, the chairman, then said that profits for the first half would be some 15 per cent. less, because of a downturn in consumer spending in the second quarter.

The directors now say that they do not expect any significant increase in demand to occur in time to materially affect the second half. But they point out that group profits are invariably higher in the latter half of the year. Profit for the whole of 1977 was a record £9.97m.

Earnings for the half year are shown to have fallen from 4.39p to 3.72p and the interim dividend is lifted to 1.54p (1.4p) net per 5p share. And the directors forecast a 1.9097p (1.7361p) final payment.

The directors say that the shortfall has been most marked in packaging. The causes are inability, due to price controls and competition, to increase prices sufficiently to offset increased costs, particularly in France and Australia, and the lack of real growth in consumer spending worldwide.

Trading in France may improve after the recent elections, they say. And there is some evidence of an improvement in order levels in the UK and Australia.

The other divisions are producing good results though engineering is reporting lower profits than last year's record, they report.

Modern Composites has been disposed of as the directors concluded the further resources required to develop its products would not produce adequate returns in the time scale envisaged.

The fashion division is beginning to benefit from organisational changes implemented at the end of last year. As usual, sales in the second half will depend on the weather.

The leisure division is performing wel lafter the elimination of losses in Australia and at the bicycle business. Demand for gaming machines has been reinforced by the recent Government decision to increase permitted payouts, directors state. This has ensured a full order book for the rest of the current year and production has started at a new factory in time to meet the upsurge in demand.

A breakdown of sales and trading profit shows: packaging £41.3m. (£36.7m.) and £0.93m. (£1.97m.); engineering £12.46m. (£11.27m.) and £1.15m (£1.33m.); fashion £12.43m. (£11.94m.) and £0.76m. (£0.62m.) and leisure £12.75m. (£12.45m.) and £1.82m. (£1.24m.).

Net group borrowings will increase during the year largely as a result of the investment programme, the directors report. The group will still be well within its target equity/debt ratio of 60:40 and the directors are confident cash facilities are fully adequate to meet foreseeable future financing requirements.

Despite increasing profit from £523,000 to £567,000 in the December 31, 1977, half-year, Capseals (a 58 per cent. owned subsidiary) has revised its forecast of improved full-year profits to one of broadly similar profits to last year's record £1.46m.

Mr. A. B. Chapman, chairman, says that since his November forecast there has been no significant upturn in consumer spending, and while it is generally expected that this will happen it may come too late to have any positive impact in the current year.

Sales for the first half rose from £8.58m. to £10.06m., and the profit is before tax of £295,000 (£272,000). Attributable profit is £272,000 (£251,000), and earnings per share are shown at 2.28p (2.11p).

The interim dividend is lifted from 0.8p to 0.88p and directors intend paying a maximum permitted total of 1.8988p (1.7262p) net per 5p share for the full year.

Mr. Chapman says that despite capital expenditure of £261,000 in the half year there has been an improvement in the group's cash position, mainly as a result of strict control over working capital.

Working capital, and particularly stocks, will increase in the remainder of the year in anticipation of high levels of trading at nearly all subsidiaries.

He says demand has remained steady for most group products and all subsidiaries are operating below capacity.

Capseals makes packing materials.

● **comment**

Cope Allman had forecast a 15 per cent. downturn in the first half. In the event pre-tax profits are only 5 per cent. lower, reflecting difficult conditions in the packaging division where the contribution to trading profits has fallen from 38 per cent. to a fifth. Price controls and low demand has hit trading in France, Australia and Canada while the U.K. performance is much in line with the industry downturn in the second half of 1977. On the other hand, loss elimination in the Australian bicycle business has lifted the leisure division's contribution to trading profits from almost a quarter to 39 per cent. Here, the second half will also see a useful upturn in the demand for fruit machines following the government decision to raise permitted payouts. With a reported improvement in packaging orders, the company could make £4.3m. in the second half. This will give a p/e of 6.2 at 56p with a yield of 9.6 per cent.

Tomatin Distillers jumps 70% to £731,000

AFTER A 45 per cent. increase to £363,000 at halfway, Tomatin Distillers ended 1977 with pre-tax profit 70 per cent. ahead from £430,000 to £731,000.

Turnover for the period increased 34 per cent. from £7.5m. to £10.2m., and production of whisky was up 300,000 gallons to 2.3m. gallons.

Net profit emerges at £436,000 (£275,000) after tax of £295,000 (£134,000). Last year there was an extraordinary debit of £21,000.

Earnings per 25p share are shown at 8.07p against 5.48p. A final dividend of 2.216p (1.8735p) takes the total from 2.71225p to 3.026p. The total cost is £163,000 (£145,000).

Mr. Richard Callingham, chairman, in criticising the Government's stance towards the scotch whisky industry says that if its projected move towards indirect taxation in the next budget means still higher duty on scotch whisky it will be self defeating in terms of resultant revenue. With three duty increases in the past 21 months, Treasury income was down £28m., he says.

Western Motor up to £0.69m.

A £450,490 leap in pre-tax earnings to a record £692,978 is reported by Western Motor Holdings for 1977, on sales ahead from £15.86m. to £19.66m. Halfway profit was up at £510,000, against £135,000.

Earnings per 25p share for the year are stated at 28.16p (10.08p) and a second net interim dividend of 1.54094p lifts the total to a maximum permitted 2.20094p (1.995856p).

Management trading figures to date for 1978 show a satisfactory start. Given a reasonable economic climate and steady production at the company's factories, there is no reason why the profit for the current year should not show an advance, the directors say.

The company's interests include retail motor trade activities, car delivery, and contract hire and leasing of vehicles.

	1977 £	1976 £
Sales	19,636,179	15,699,954
Interest	259,590	334,565
Pre-tax profit	692,978	242,499
Tax	20,608	†29,521
Net profit	672,370	272,009
Extraord. debit	227,748	—
Attributable	409,454	226,554

† Credit.

GRAND MET.

Grand Metropolitan announces that the holders of some 94 per cent. of the 10 per cent. Convertible Unsecured Loan stock 1991-96 have exercised their right to convert to Ordinary shares.

The company has decided not to use its powers of compulsory conversion in respect of the remainder of the stock.

U.S. setback pushes Sanger into the red

FOR THE first time in its history, J. E. Sanger, the meat trading group, reports a pre-tax loss, amounting to £532,000 for the nine months to December 31, 1977, compared with a profit of £606,000 for the six months to September 30, 1976. Turnover stood at £57.44m. against £35.25m.

The two major factors affecting the result were trading problems in the U.S., coupled with a poor performance from the Astromarket retail division. Although, in both cases steps have already been taken to return them to profit.

Mr. Jim Sanger, the chairman, says that overall the meat trading side has improved, especially over the last two months, and he anticipates a better performance for the remainder of the current 15-month period.

Tax for the interim period takes £54,000 (£297,000), minorities £54,000 (£23,000), to leave an attributable deficit of £532,000, compared with a £346,000 surplus.

No interim dividend is to be paid, against 1.75p net last time, and the directors state that the dividend policy will be reviewed again when final figures for the 15-month period are available—for all 1976-77, payments totalled 4.4p per 10p share from £1.13m. profit.

The chairman reports that the main problem on the trading side of the company's business continued to be the U.S. As a result, the directors decided to close down the company's Chicago operation, which has been implemented and will be totally effective as from March 31, 1978.

Additionally, they decided to merge the two New Jersey based operations into one office with a corresponding reduction in overheads. Controls have again been tightened and are easier to monitor with a single unit, they say.

Despite the fact that the directors confidence in the viability of the American operations has been misplaced in the last two years, they still judge it right to be represented there, and are expecting a much improved second period in the U.S.

Elsewhere, Mr. Sanger confirms that all the company's meat operations around the world are in profit.

The second major cause of the setback was the poor performance of the Astromarket retail division although Socold itself has been trading profitably. However he adds that it was unfortunate that the downturn in national retail sales and a squeeze on profit margins coincided with the company's purchase of the majority shareholding in Socold and the balance of Astromarket.

In the retail division there have been a number of major planned changes, the benefits of which will not be fully effective until the new financial year, but the directors will then be looking for a substantial improvement from the retail subsidiaries.

● **comment**

J. E. Sanger's £½m. pre-tax loss compounds the tale of woe that has emerged in recent months from red meat traders and processors. In Sanger's case a general recession in world meat eating, allied to over production by major producer countries, has been aggravated by special problems in the U.S. and with its newly acquired retail interests. Combined losses from the U.S. and Astromarket totalled around £625,000. The group has taken steps to tighten controls both in the U.S. and at the retail division but the benefits are unlikely to show through in the current 15 month period. Meanwhile profits from the rest of the meat trading business probably totalled around £100,000 which illustrates the depressed trading conditions in the industry. The group says that it has seen some improvement in demand in recent months but it clearly is going to be a long haul back. Meanwhile the effects of the purchase of Astromarket and Socold (also retail) has left the balance sheet in a sorry state with net debt at the interim stage rising from £4.1m. (at the year end) to £5m. compared with shareholders funds of around £3½m. Increased borrowings reflect a sharp increase in stocks and some debt inheritance from the acquisitions. It is not surprising therefore that group is postponing a decision on dividends until final figures are available. The shares dropped 1p yesterday to 35p leaving the group capitalised at £3½m.

ISSUE NEWS

Yearlings slip further

The coupon rate on this week's batch of one year local authority bonds has slipped further, from 7¾ per cent. to 7⅝ per cent. The bonds issued at par are due on March 28, 1979.

This week's issues are: Grimsby Borough Council (£1m.), Greater Manchester Passenger Transport Executive (£½m.), Lanark District Council (£1m.), City of Stoke-on-Trent (£1½m.), Allerdale District Council (£½m.), Beverley Borough Council (£½m.), Brentwood District Council (£½m.), South Wight Borough Council (£½m.), Doncaster Metropolitan Borough Council (£1m.), Nuneaton Borough Council (£½m.), North East Fife District Council (£½m.), Radnor District Council (£½m.), North Norfolk District Council (£½m.), Bassetlaw District Council (£½m.), Highland Regional Council (£1m.), Kirklees Metropolitan Borough Council (£½m.), Middlesbrough Borough Council (£½m.), West Dorset District Council (£½m.) and City of Salford (£½m.).

Two year bonds carrying a coupon of 8¾ per cent., issued at par and due on March 19, 1980 are issued by: Merseyside Passenger Transport Executive (£1m.), City of Bradford Metropolitan Council (£½m.), Hart District Council (£½m.), Thurrock Borough Council (£½m.) and London Borough of Newham (£½m.).

Rushcliffe Borough Council has raised £½m. by way of a two-and-a-half year bond due on September 17, 1980, issued at par and carrying a coupon of 9¾ per cent.

West Oxfordshire District Council has raised £½m. by way of a three year bond, due March 1981 issued at par and carrying a coupon of 10 per cent.

Four year bonds carrying a coupon of 10¼ per cent., at par and due on March 17, 1982 are issued by Borough of Blaenau Gwent, Easington District Council and Tweedale District Council to raise £½m. apiece.

Vale Royal District Council and Kyle and Carrick District Council are raising £½m. apiece by way of five year bonds issued at par carrying a coupon of 10½ per cent. and due on March 16, 1983.

Surrey County Council has raised £1m. by way a four year variable rate bond issued at par and due on March 17, 1982. Five year variable rate bonds at par due on March 16, 1983 have been issued by Ashford Borough Council (£½m.) and Blackburn Borough Council (£½m.).

Weir up £1.6m. despite poor home market

AFTER INCREASING pre-tax profit £1.17m. at half time, profit of Weir Group lifted from £7.5m. to £9.12m. in the December 31, 1977, year.

Lord Weir, chairman, says the increase in pre-tax profit was achieved in difficult conditions of poor home demand and severe overseas competition.

Turnover for the year was ahead to £160.43m. compared with £138.12m. The profit includes associate company profits of £1.22m. (£0.86m.), and is after reduced interest charges of £2.82m. (£3.14m.).

After tax of £3.19m. (£3.29m.) and extarordinary debits of £2.74m. (£0.79m. credit) attributable profit of the engineering group was £2,994,000 compared with £4,622,000.

He says the group has entered 1978 with a reasonable order book and say profits should advance. The group's overall financial position is expected to strengthen further.

Weir Pumps, the engineering division's principal company, increased its export business and improved its results. The steel foundries operated at a reasonable capacity and earned a satisfactory profit despite a very depressed home market, he says.

The contribution from the desalination division increased, but it was still too early for substantial earnings from major contracts, he adds.

In the aircraft equipment division (since sold) he says the results were not an accurate reflection of trading as they were state dafter substantial charges related to a major reorganisation of the business.

On the group's prospects, Lord Weir says there has been no general improvement in world business, and "the outlook is gloomy for many suppliers of capital goods.

"However, the Weir Group's high level of capital investment, means that the group is relatively well placed to compete internationally in all its main products, particularly pumps and steel castings," he continued.

Demand for desalination plant is buoyant and prospects are good.

The extraordinary items consist mainly of exchange losses on consolidation of overseas assets and of a provision relating to the disposal of the aircraft equipment division.

Earnings per 25p share are shown ahead from 16.1p to 23.09p, and a final dividend of 3.509p net (3.19p) takes the total to 5.203p against 4.73p.

See Lex

Watmoughs on target with £0.82m.

AFTER RISING from £180,000 to £300,000 in the first half, pre-tax profits of Watmoughs (Holdings) finished 1977 46 per cent. higher at a record £817,999 compared with £560,616.

In February, announcing a one-for-four rights issue to raise some £438,000, the directors forecast full-year profits in the region of £815,000.

Turnover increased by 20 per cent. from £6.85m. to £8.22m. The directors say that demand for the group's mail order, periodical, security and packaging services was buoyant throughout the year.

Earnings are shown at 12.81p (8.86p) per 25p share on the 3m. shares in issue at the year-end and, as forecast, the final dividend is 2.9558p on capital increased to 3.75m. shares by the rights issue effectively lifting the total from 2.2155p to 3.629975p net. Treasury permission has been obtained.

Earnings after adjustment for the rights issue are given as 12.26p (8.48p).

	1977 £	1976 £
Turnover	8,221,302	6,853,538
Profit before tax	817,999	560,616
U.K. tax	432,264	293,382
Net profit	385,735	267,234
Pref. dividends	1,394	1,394
Interim Ordinary	20,225	18,000
Proposed final	110,842	48,463
To mort. redmpt. res.	2,959	2,959
Retained	250,315	196,418

Edinburgh American policy

Sir Alastair Blair, the chairman of Edinburgh American Assets Trust, tells shareholders that he continues to believe that growth of capital to which the company is committed can best be obtained by investment overseas. He also still believes that the U.S. has an economic climate favourable to the trust's plans, with a growth rate in 1977 of 5 per cent.—faster that most nations in the world—and with company profits and dividends showing impressive increases.

As known, pre-tax surplus for 1977 rose from £424,376 to £507,035 and the dividend is increased to 1.1p (0.9p) net.

Many companies, particularly the smaller ones in which the trust has holdings, have made good progress, the chairman says. Their share prices have risen against overall market trends and they are expected to do well over the long term. The trust took advantage of the fall of the U.S. market to switch investments from the U.K. into the U.S. Sir Alaistair says that the holding in GBC Capital was increased through which is held most of the trust's Canadian investments, as well as some special investments in the U.S. "To finance part of these operations we arranged to borrow a further $3m. of which, at the end of the year, we had drawn $1m.," he adds.

"Again this year we have received higher dividends than we might have expected. We intend as a matter of policy, to use part of our increasing income to finance interest on such new borrowings as we may make from time to time, to replace loans as they mature and to rebuild the capital gearing of the company."

Meeting, Edinburgh, on April 14 at 12.15 p.m.

Southampton Steam Packet finishes higher

Following a fall in taxable earnings from £95,074 to £61,297, in the first half, Southampton, Isle of Wight and South of England Royal Mail Steam Packet Company ended 1977 showing a £20,388 advance in profit to a record £486,777.

Profit included a surplus on disposal of fixed assets of £4,762 (£4,188) and interest and dividends received of £13,456 (£10,406).

A net final dividend of 5.81p per 50p share lifts the total to 8.935p (8p).

The company operates a passenger, cargo and mail service between IoW and Southampton and has interests in other shipping and road haulage services.

Wm. Morrison rises to £3m.

SALES EXCLUDING VAT for the year to January 28, 1978, at Wm. Morrison Supermarkets expanded by 29.81 per cent. from £66m. to £85.67m. and pre-tax profits advanced by 56.99 per cent. from £1.91m. to £3m. after £1.25m., against £0.88m., for the first half.

Full-year earnings are shown to be up from 11.94p to 17.68p per 10p share and the dividend total is lifted from 2.05p to the maximum permitted 2.255p net with a final of 1.285p. The final payment will be increased if ACT is reduced in the Budget. A two-for-one scrip issue is also proposed.

	1978 £	1977 £
Sales†	85,668,921	65,987,878
Trading profit	3,134,185	1,941,351
Rent receivable	173,205	91,126
Interest paid	303,876	118,328
Profit before tax	3,003,514	1,913,169
Tax	1,643,374	994,837
Net profit	1,360,140	918,312

† Exclude VAT of £2.67m. (£2.2m.).

● comment

As expected, Wm. Morrison has had a bumper year with pre-tax profits up by 57 per cent. on a sales increase of 30 per cent. After taking into account a 15 per cent. contribution from its new stores—the laest at Ripon opened in September — and inflation, which accounted for 12 per cent., the sales increase implies a rise of 3 per cent. in food volume from existing outlets. This rise was entirely registered in the first half with the second six months more or less static. However, compared with an overall fall in U.K. food sales of about 5 per cent., the growth figure is a very satisfactory performance. The company is confident of maintaining margins at 3.66 per cent. (2.94 per cent.) in the current year, and a sales increase of 20 per cent. is on the cards. Whelans Discount Stores, which it acquired early this month, is expected to contribute some 7 per cent. of the projected sales increase. The shares at 208p give a p/e of 11.7, while the yield stands below 2 per cent.

Substantial rise so far at Meggitt

First quarter figures of Meggitt Holdings, the machine tool-making group, show a substantial uplift in profitability, with all divisions and companies within the group operating profitably, Mr. J. D. Tyler, the chairman, said at the AGM.

Members were told that order intake continues at a high level in both merchanting and manufacturing divisions. In consequence, the group is able to plan requirements much further ahead, and in the manufacturing division the new plant installed in recent years is now well utilised and highly productive.

Mr. Tyler said that interim results will reflect the increased momentum, and hopefully this situation will continue throughout the group's current financial year.

Record for W. & E. Turner

A JUMP in taxable earnings from £651,977 to a record £953,711 was achieved by W. and E. Turner, multiple shoe retailer, for 1977. With sales growing by £1.78m. to £10.02m., for the first time the company came close to its long term aim of producing a 10 per cent. return on turnover. At half-time profit reached £182,921, against £158,856.

The company's authorised capital is to be increased to £1.25m. (£0.8m.) and reserves of £345,443 are to be capitalised by one-for-two scrip issue.

Stated earnings per share improved to 6.45p (4.11p) and the net total dividend is raised to a maximum permitted 1.74307p (1.5606p) with a final of 1.22647p.

So far in the current year the company's level of trading has been buoyant. The directors believe that its modern shoe chain will enable it to take full advantage of any increase in consumer demand.

	1977 £	1976 £
Gross sales	10,019,646	8,230,964
Pre-tax profit	953,711	651,977
Tax	507,728	367,921
Net profit	445,983	284,056
Ord. dividends	120,426	107,519
Retained	325,557	176,237

GT. NORTHERN INV.

Included in The Great Northern Investment Trust's assets at the year end were liquid funds of £2.5m. Because of an agency error this figure was given as £1.5m. in yesterday's report on the AGM.

Armstrong Equipment 48.9% ahead midway

PRE-TAX profits of Armstrong Equipment rose by 48.9 per cent. from £2.71m. to £4.03m. for the half year to January 1, 1978, on a 33.9 per cent. increase in turnover from £29.48m. to £39.44m. The directors say that results are on target despite the huge increases in industrial disputes throughout the automotive assembly industry and its suppliers. Profit for the whole of the 1976-77 year was a record £6.26m.

The interim dividend is lifted to 0.8p (0.725p) net per 10p share absorbing with ACT £579,944—last year's final was 1.302p.

During the half year, directors say, there has been a decline in real turnover in respect of original equipment supplies to the automotive industry resulting from the increase in industrial disputes, and the situation during the first two months of the second half has not improved.

However, the company's profit growth has been maintained. Manufactured supplies to the parts replacement markets have increased substantially, while exports should also meet their growth target by the year end.

Within the specialised fastenings division, gains in turnover and profitability have been further enhanced by the improving profitability of the two acquired companies, Crane's Screw (Holdings) and Ormond Engineering Company, while in all manufacturing plants increasing efficiency has ensured the continued improvement in returns.

Overseas, there was substantial growth in turnover and profitability of the Spanish company which has fully justified the investment made there two years ago. There has also been improvement in performance in other overseas companies.

The automotive parts wholesaling group is making progress after the high start-up expenses of many new branches in the previous year, they add.

The directors consider the overall results to be excellent against the background of an extremely sluggish economy and an industry which has shown steady deterioration.

	Half-year 1977 £000	Half-year 1976 £000	Year 1976-77 £000
External sales	39,439	29,476	67,427
Profit before tax	4,030	2,706	6,258
Tax	2,062	1,407	3,218
Net profit	1,968	1,299	3,040

● comment

In spite of the difficult conditions in the motor industry, Armstrong Equipment has maintained its growth trend with first half profits up by almost a half. While original equipment production (vehicle suspension units) has followed the national pattern of a drop in vehicle output of roughly 10 per cent., the more profitable spare parts business has jumped in volume terms by an impressive 60 per cent., aided by the additional trade generated by the much tougher MOT test. There is also a contribution of £0.25m. from newly-acquired Crane Screws and Ormond Engineering which have boosted the fastenings division sales to 15 per cent. of total, but this area has little growth potential until the engineering sector emerges from the doldrums. Meanwhile, industrial disputes in the motor industry will continue to be an inhibiting factor but the buoyant replacements market looks like setting Armstrong up for about £8.5m. for the full year, compared with £6.26m. last time. At 63½p, this gives a p/e of around eight while the yield is a prospective 5.4 per cent.

To-day's company meetings

Birmid Qualcast, Midland Hotel, Birmingham, 12. BOC International, 20, Aldermanbury, E.C., 11.30. Bullough, 20, Cannon Street, E.C., 10.15. Drake and Skull, Churchill Hotel, W.3. Drayton Premier Investment Trust, 117, Old Broad Street, E.C., 2.30. Granada Group, Golden Square, S.W., 12.30. Hirst and Mallinson, Huddersfield, 11.30. Kenning Motor, Chesterfield, 12. Moorside Trust, 44, Bloomsbury Square, W.C., 10.30. Nottingham Manufacturing, Mansfield, 10.30. Prestige, 14-18, Holborn, E.C., 12. Scottish American Investment, Edinburgh, 11. Tace, Essex Hall, Essex Street, W.C., 11. Throgmorton Trust, 25, Milk Street, E.C., 12.30. Whatlings, Abercorn Rooms, E.C., 12.

Electric and General Inv. declines

On gross income of £599,361 compared with £626,227, taxable profit of Electric and General Investment Company declined from £374,788 to £355,185 in the nine months to February 28, 1978.

After six months, pre-tax profit was down from £272,725 to £233,185 and a 0.65p (0.5p) dividend was paid.

The nine-month result is after deducting interest charges and expenses of £244,176 (£251,439) and is subject to tax of £133,252 (£141,493), which leaves net profit at £221,933 (£233,295).

Earnings per share are shown at 1.23p (1.29p) and net assets per 25p share at 86.9p (87.9p). Profit for all last year was £474,684 (£318,041) and dividends totalled 1.3p net (1.1p).

Rediffusion TV ahead midterm

ON TURNOVER of £26.95m. against £21.83m. pre-tax profit of Rediffusion Television, a subsidiary of British Electric Traction Co., went ahead from £5.33m. to £5.73m. for the six months to January 29, 1978. Profit for the whole of the 1976-77 year was a record £11.6m.

Six months' profit included interest receivable £1.4m. (£1.94m) and is after interest payable of £132,757 (£101,486). Tax takes £3.15m. (£2.81m.) leaving a net profit up from £2.52m. to £2.57m. Minorities take £0.94m. compared with £0.78m. and the amount attributable comes out at £1.63m. against £1.75m. The company is paying a 15p interim dividend per £1 share.

Expansion at Crest Nicholson

Mr. D. L. Donne, the chairman of Crest Nicholson told the annual meeting that the £700,000 cash received for the minority interest in Cray Electronics will further enable the group to expand.

Starts and sales at Crest Homes are most encouraging he said, and turnover in the leisure and industrial division is up by some 30 per cent. on this time last year.

The current year is progressing very well and a further substantial growth in profits is expected, members were told.

MONEY MARKET

Mar. 21 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	4½-6⅝	—	—	—	6½	5½-6	—	—	—
2 days notice	—	—	6⅝-6½	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅛-6½	6⅝-6½	—	6¾	6⅝	6-6¼	—	—	—
One month	6½-6⅝	6⅝-6½	6⅝-6½	6⅝-6⅝	6¾	6¾	6	5¾	6⅛-7⅛	6⅝
Two months	6⅛-6⅝	6½-6⅝	—	6⅝-6⅝	7	—	6	5⅞	6¼	6¾
Three months	6⅝-6⅝	6⅛-6⅞	6½-6⅝	6⅝-6⅝	7⅛	7	6	5⅞-6⅛	6⅛-6¼	6⅞
Six months	6⅞-6⅝	6⅞-7⅛	7-7⅛	6¾-6½	7⅜	—	—	—	6⅝-6⅞	7
Nine months	7⅛-7⅛	7⅜-7⅛	—	7⅛-6⅞	7¾	—	—	—	—	—
One year	7⅛-7⅛	7⅛-7⅛	7¾-8	7⅜-7⅜	8¼	[illegible]	—	—	—	—
Two years	—	—	9	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rate nominally three years 10-10½ per cent.; four years 10¼-10½ per cent.; five years 10½ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 5⅞ per cent.; four-month trade bills 6⅞ per cent.

Approximate selling rates for one-month Treasury bills 5 11/16 per cent.; two-month 5 11/16-5¾ per cent.; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills 5 13/16-5 27/32 per cent.; two-month 5⅞ per cent.; and three-month 6 1/16-6⅛ per cent. One-month trade bills 6⅝ per cent.; two-month 6⅝ per cent.; and also three-month 6¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from March 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Base Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.9065 per cent.

Very large assistance

Bank of England Minimum Lending Rate of 6½ per cent. (since January 6, 1978)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave very large assistance by buying a small amount of Treasury bills from the discount houses and a small number of local authority bills. The help was completed by buying a moderate amount of eligible bank bills. A proportion of the total amount of bills were purchased for resale to the houses at an agreed date in the future, as a measure to relieve the present shortage of bills in the market.

The situation should also be helped at this week's Treasury bill tender, when £600m. bills will be on offer.

Banks brought forward surplus balances, but this was outweighed by a fairly large net take-up of Treasury bills, a fairly large excess of revenue payments to the Exchequer over Government disbursements, a rise in the note circulation, and a sizeable number of maturing local authority bills held by the authorities.

Discount houses paid up to 6 per cent. for secured call loans, but some closing balances were found at 5¾ per cent.

In the interbank market overnight loans opened at 6½-6¾ per cent., and touched 6¾-6⅞ per cent., before closing at 4½-5 per cent.

Rates in the table below are nominal in some cases.

OIL AND GAS NEWS

Mexican move helps to depress prices

BY RAY DAFTER, ENERGY CORRESPONDENT

MEXICO IS planning to increase its export of crude oil from the present level of 280,000 barrels a day to more than 500,000 barrels a day by the end of this year, according to the state-owned oil corporation, Pemex.

During this period crude oil production is expected to rise to 1.6m. b/d as against 1.2m. b/d in December last year.

Mexico's increasing output, together with rising oil production in Alaska and the North Sea, is a major reason why the international oil market is slack. The traditional oil exporters in the Organisation of Petroleum Exporting Countries are finding it difficult to sustain prices in the face of these new supplies and depressed demand.

A measure of Mexico's growing importance is the fact that this year Pemex is planning 114 exploration wells in addition to 360 planned production wells. A further 23 wells will be sunk for water injection to aid oil recovery.

Last year Pemex discovered no fewer than 26 new oil fields, 17 oil and nine natural gas, as well as testing the extension of four existing fields. Two fields, named Akal and Bacab, in Campeche Bay are described as being "of considerable size."

According to Pemex, gas production this year should average 2.56bn. cubic feet a day and oil refineries should handle an average of 870,300 b/d of crude oil and 135,000 b/d of natural gas liquids.

Pemex spent 60bn. Pesos on operating costs last year. A further 34.9bn. Pesos was invested and 13.8bn. Pesos went towards debt servicing. This year operating costs are expected to be 84bn. Pesos and some 70bn. Pesos will go towards investment.

* * *

A new oil find has been made 11 miles off the Trinidad and Tobago coast, according to Trinidad and Tobago Tesoro Petroleum Company. The discovery, in the northern marine areas in the Gulf of Paria, would boost present production levels by 600 barrels a day, the company added.

* * *

Canada North West Land is to be operator for a newly-agreed A$29.5m. six year oil exploration programme off Australia's North West coast. It's partners will be Star Oil and Gas, Oakwood Petroleum and Cultus Pacific.

The group has been granted title to WA-102-P in the offshore Carnarvon basin north of Carnarvon. Six wells are proposed on the 18,410 square kilometre block. The agreement, which was signed last week in Perth, makes Canada North West Land the fourth-biggest operator in the west coast offshore exploration business, based on expenditure and drilling commitments.

* * *

According to Esso Production Malaysia and the Malaysian national oil company, Petronas, crude oil production from the Tapis and Pulai fields offshore Trengganu, East Coast Peninsula Malaysia, started this month and is currently averaging 20,000 barrels per day.

Production from the Pulai field started on March 9 while the Tapis field came on-stream on March 18. The development raised Malaysia's crude output, including production from Sabah and Sarawak, to more than 200,000 barrels per day.

* * *

Hilliard Oil and Gas Inc, a wholly-owned subsidiary of Tidewater Inc, announced that Hilliard's well Boston Ranch No. 1 in Fresno County, California, tested on a 24 hour flow produced 228 barrels of 46 gravity oil from perforations in the trembler sand at 10,984 to 10,990 feet.

* * *

Helmerich and Payne Inc. has announced a natural gas discovery in Wheeler County, Texas, that tested at rates of up to 5.2m. cubic feet a day. Helmerich and Payne holds a 43.75 per cent. working interest in the well and a 50 per cent. working interest in a surrounding lease block totalling 5,606 acres.

American Natural Gas Production owns an identical working interest in both the well and the prospect, while Amarex Inc. holds the remaining 12.5 per cent. in the well.

* * *

Buttes Gas and Oil has completed a one mile step out field extension well on its South Central Sumatra prospect located on a 1,520 acre lease block in Rosebud County, Montana.

On initial test the well Kincheloe No. 1 flowed at the rate of around 30 barrels of oil per hour, and is producing from the interval between 4,956 and 5,000 feet.

The company plans the immediate drilling of additional wells. Buttes, the operator, has a 37.5 working interest in the well and an average 31 per cent. working interest in the remaining 1,480 acres in the prospect area.

NO PROBES

Mr. Roy Hattersley, Secretary of State for Prices and Consumer Protection, has decided not to refer the following proposed mergers to the Monopolies Commission: Cavenham/Alliance Property Holdings/Evon SA/Argyle Securities, Trafalgar House/Young, Austen and Young, Cadbury Schweppes USA Inc/Peter Paul Inc.

MINING NEWS

Elandsrand: new issue before 1979 start

BY KENNETH MARSTON, MINING EDITOR

THE NEW Elandsrand gold mine in South Africa's Far West Rand is now expected to reach production in mid-1979 at a cost of just under R200m. (£121m.). Thanks to the rapid progress achieved at the Anglo American Corporation property with the help of innovative methods the latest start-up date compares with the original forecast of early-1981. But more funds are now needed.

Inevitably, the cost has advanced from the original prospectus estimate in 1975 of R127m. Elandsrand made a R60m. rights issue last year and now proposes to make a further offer towards the middle of 1978.

The terms of the latest rights issue have yet to be decided, but the company is creating adequate reserve shares via a proposed increase in its authorised capital from R11m. to R16m. in shares of 20 cents.

Among other annual reports received from the Anglo gold mines the need for African job advancement is stressed and comment is made on moves to develop white-black employee attitudes to meet "the needs of the era of relatively rapid change which we believe lies ahead." On the subject of rising costs, it is pointed out that the main elements are labour and electric power.

Mr. Denis Etheredge, chairman of Vaal Reefs, says that the cost of the mine's uranium plant capacity increase to 720,000 tons a month has escalated to R88m. from the previously stated R60m. But the expansion will be achieved in the third quarter of 1978, a year earlier than was previously estimated.

Capital expenditure in the current year is put at R72m., of which R47m. will go towards increasing uranium production. The high level of capital spending is expected to be repeated in 1979, but will tail off from 1980 onwards.

Mr. G. Langton, chairman of Western Deep points out that uranium is now becoming a significant source of income to his company and efforts are being made to increase production in order to minimise the amount that will have to be purchased to meet its contractual commitments.

Mr. N. F. Oppenheimer says that prospecting results have been disappointing at South African Land and Exploration which ceased underground operations at end-1976. Operations are now confined to the recovery of gold from waste rock dumps and should continue at least until 1979.

He says that East Daggafontein will give consideration to the declaration of an interim dividend in mid-year. The dividend policy of all these companies is now to make declarations in the latter half of July and January—instead of June and December as hitherto—so that in these days of fluctuating gold prices the companies will have the operating results of the respective accounting periods to hand when deciding on dividends.

Arab mining to invest in Mauritania

THE MULTINATIONAL Arab Mining Company has decided to invest $28m. (£14.7m.) as an equity participation in the capital of a new iron ore mining project in Mauritania, planned to have an annual output of 14m. tons, reports Rami G. Khouri from Amman.

The new scheme will cost about $400m. (£210m.), to be financed by a combination of equity capital and loans whose exact proportions have not yet been decided, Mr. Thabet Taher, the Arab Mining general manager, told the Financial Times.

The project, when it comes on stream, will replace output from existing iron ore mines in Mauritania when they are depleted.

Arab Mining, whose capital of $400m. is provided by 12 Arab states, also decided at a Board meeting to take a 25 per cent. equity participation in the capital of a new copper mining project in Morocco, whose exact capital has not yet been determined.

The company also decided to take a stake in a new joint copper refinery and smelter to be built in Morocco jointly by Morocco and Mauritania. Details of this new project will be worked out at a meeting of Moroccan, Mauritanian and Arab Mining officials in Morocco on April 4, Mr. Taher said.

HARTEBEEST TO EXPAND ITS URANIUM PLANT

As foreshadowed in the chairman's annual statement last year, South Africa's Hartebeestfontein is to increase the capacity of its uranium plant. The expansion, which will cost about R5m. (£3m.), will be completed over the next two years and will raise the plant's capacity by about 45,000 tons a month.

It is estimated that it will take about seven to eight years to treat the surface slimes dam at the increased rate. Last September, Hartebeest said that it had obtained a two-year uranium oxide supply contract "at a satisfactory price" and was negotiating for further long-term contracts on similar terms. Hartebeest shares were 55p down at 935p yesterday.

Losses mount at Boliden

THE LOW copper and zinc prices prevailing last year pushed Boliden into a pre-tax loss of Kr.114.7m. (£13.08m.) before extraordinary items, writes William Dullforce in Stockholm.

The preliminary report from the Swedish metals and chemicals group showed that this is some Kr.75m. more than the loss made in 1976 but is Kr.15m. better than that forecast at the nine-month stage. Sales grew by 13 per cent. to Kr.2.8bn. (£319.5m.).

The Board proposes to pass the dividend, but expects to reverse the profit slide this year, although earnings will continue to be unsatisfactory, unless copper prices firm up substantially.

In November Boliden sold Sala International, its loss-making mining machinery subsidiary, to Allis Chalmers and during the course of 1977 it closed down a copper foundry and a sulphuric acid plant, which had been contributing losses.

Last year's devaluation of the Krona should from now on reinforce the group's competitive position. The full devaluation loss of Kr.36.8m. on the foreign borrowings has been included in the 1977 account, boosting the net financial loss for the year to Kr.113.7m.

With reservations about the development of raw material costs, exchange rates and production levels Boliden expects to make an operating profit of around Kr.100m. this year and pre-tax earnings after extraordinary items of Kr.25m.

Some Kr.30m. of the 1977 pre-tax loss stemmed from Sala International but the proceeds from the sale of this subsidiary helped produce a net extraordinary income of Kr.36.7m. This gave a final loss before appropriations of Kr.76m. against a loss of Kr.33m. in 1976.

The 1977 result was also held down by inclusion of a Kr.32m. loss on metal options still held by the parent company, by Kr.12m. in costs from the closing down of unprofitable plant and by Kr.14m. from a mine accident.

Talbex on target at £245,124

IN LINE with the recent forecast made at the time of the agreed offer for James Warren, pre-tax profit of Talbex Group jumped 206 per cent. to £245,124 for the six months to January 31, 1978, compared with £80,219 last time, which was after charging £25,000 in respect of a trading loss from a subsidiary, sold in February, 1977.

The directors look forward with confidence to the future and provided there is no downturn in U.K. and world trade generally, expect full-year profit to exceed the figure of £441,000 for 1976-77.

First-half turnover advanced by 38 per cent. to £4.99m. and as announced in February, the directors intend to double the dividend for the current year to 0.55p net per 5p share.

All the main trading companies within the group are trading profitably with Osmond Aerosols showing particular strength. Exports are growing and are expected to develop further following the trading opportunities presented by new Board members.

Indian Oxygen asked to reduce foreign equity

Indian Oxygen, a subsidiary of British Oxygen Co has been asked by the Reserve Bank to bring down its foreign equity to 40 per cent. within a period of one year from February 3, 1978. The foreign equity in Indian Oxygen now amounts to 66 per cent. of the total capital with British Oxygen holding practically the whole of the equity in bloc. Mr. K. D. Moore, the chairman of Indian Oxygen says that the company has accepted to comply with the directive within the stipulated time limit but the method of bringing down the foreign equity to 40 per cent. of the share capital is currently being negotiated.

Indian Oxygen has diversification and expansion projects which are still awaiting official clearance.

Results of Indian Oxygen for the year ended September 30, 1977, have been very satisfactory says the chairman and sales reached a record rupees 480m, a rise of 8 per cent. The growth potential of the major existing business is considerable.

Kellock ahead

TURNOVER FOR 1977 of Kellock Holdings reached £7.11m. compared with £1.63m. for the previous 16 months and profits rose from £759 to £65,108 before tax of £9,821 (£1,321 credit).

The directors say that provided nothing unforeseen occurs, they anticipate that it will be possible to recommend a modest dividend for 1978.

Belgrave Assets, a subsidiary of ..., reports turnover of £4.74m. for the 15 months to end 1977 (£42,298 for previous year) and profits of £70,978 (£28,957) before tax of £35,410 (£13,304). Minorities take £656 (nil) and £20,996 (£5,403) is retained.

Earnings per 20p share are shown at 1.39p (0.56p) basic and 1.36p fully diluted. The final dividend is 0.323p per share for a total of 0.463p per Ordinary and 0.323p per "A" Ordinary share.

BIDS AND DEALS

London Sumatra's full disclosure 'gratifying'

BY JAMES BARTHOLOMEW

AN UNPRECEDENTED amount of information including a £30.9m. independent valuation of its Indonesian estates, has been revealed by London Sumatra.

N. M. Rothschild and Noble Grossart have long complained of the lack of information from members of the Harrison and Crosfield group such as London Sumatra. But yesterday, a spokesman for their brainchild, McLeod Sipef (a new company consisting of Rothschild Investment Trust, McLeod Russel and Sipef SA) said that the amount of disclosure in this latest document was "gratifying."

Using the independent valuation, the Board of London Sumatra considers the total value of the company's assets is £43m. *and the net asset* value per share 270p. It estimates the sterling after-tax profit for 1977 will be £701,000 (£524,000 in 1976) and the Indonesian after-tax profit will be equivalent to £3.35m. (£2m. in 1976).

London Sumatra gives specific answers to all the questions which McLeod Sipef posed in a letter of March 3, including details of the company's share stakes. Another concession made by the Board is its recognition "that existing arrangements, admirably though they may have worked in the past, may need further consideration in the light of present day ideas." Thus, in view of the Harrisons and Crosfield's 42.3 per cent. stake, an independent non-executive director is expected to be appointed to the Board.

London Sumatra promises that any future investment by the company in Harrisons and Crosfield or any of its associated companies will be disclosed to shareholders along with any contracts of significance between them.

The Board reveals the fees and commissions which the company pays to Harrisons and Crosfield and is making the relevant agreements available for inspection. The total amount in 1977 turns out to be £387,000, when turnover was £17.3m. and combined pre-tax profit £7.6m.

But there are no promises that these new standards of disclosure will be applied to other companies in the H and C group. Mr. Frank Harper, chairman of London Sumatra, is also a director of H and C but yesterday he refuted the suggestion that the greater openness of London Sumatra necessarily presaged the same for other companies in the group. He said that decisions of the London Sumatra Board in no way committed the board of H and C.

As for the crucial independent valuation, Mr. Samuel Mee, the man appointed to do it, has produced a figure equivalent to £... per acre which implies a net asset value per share of 270p for London Sumatra. This has to be compared with McLeod Sipef's offer of 110p per share and the stock market valuation of around 50p to 70p per share in the latter months of 1977.

Brokers yesterday thought the valuation somewhat generous and the method of its computation arbitrary. The method was to estimate profits for seven years (a normal method of valuation in Malaysia) and then subtract a third because of the less advantageous business climate in Indonesia.

The probability is that McLeod Sipef's offer, which officially closed yesterday, will be extended to-day while McLeod Sipef decides whether "to put up or shut up." Some members of the consortium are thought to be very keen to get control of London Sumatra but somewhat stunned by what the independent valuer thinks it is worth.

London Sumatra's shares closed yesterday at 125p, up 7p.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Belam, Bryant Holdings, J. & J. Makin.

Finals—Barro Consolidated Industries, C. T. Bowring, British Aluminium, Chersonese (F.M.S.) Estates, Hanger Investments, H. & J. Hill, A. A. Jones and Shipman, Liverpool Daily Post, Molins, Monfort (Knitting Mills), Rockware, Schroders, Thurgar Bardex, Thomas Tilling, Tube Investments.

FUTURE DATES

Interims—	
Consolidated Gold Fields	Apr. 5
Dowding and Mills	Apr. 18
Gleeson (M. J.) (Contractors)	May 17
Ricardo & Co. Engineers (1927)	Mar. 28
Sirdar	Mar. 30
Finals—	
Barton and Sons	†Mar. 29
Bulgin (A. F.)	Mar. 30
English Property	Mar. 30
Hewitt (J.) (Fenton)	Mar. 30
Higgs and Hill	Apr. 18
Lyle Shipping	Mar. 31
Manchester Liners	Mar. 29
Martin (Albert)	Apr. 19
Unicorn Industries	†Apr. 5

† Amended.

Close finish to Comet bid for Wigfall

THE HOTLY contested take-over bid by Comet Radiovision for Henry Wigfall, the TV rental and retail group, officially closes to-day. However, while Comet, through its financial advisers Kleinwort Benson, has the option to keep the offer open officially until April 1, the decision whether or not to extend will depend on the level of acceptances by to-day.

A spokesman for Kleinwort said last night that "acceptances are continuing to come in and there is likely to be a close finish.

The Comet terms, rejected throughout by the Wigfall Board, who claim the support of 45 per cent. of the voters, value each Wigfall share at 274p, which compares with a market price of 217p.

SGB BUYS INTO OPEN CAST MINING

SGB the scaffolding and construction equipment and services group, has acquired for £1.1m. the business of Lomount Construction which carried out open-cast coal mining as a contractor to the National Coal Board.

Announcing the acquisition, Mr. Stuart Henderson, a director of SGB Group, said: "The Lomount operations are complementary to the heavy earth moving hire and contracting activities already carried out by SGB's subsidiary, Contractors' Services Group, which was acquired in 1974.

"In addition, the NCB's targets for open-cast coal production present an attractive growth opportunity to SGB Group and we are looking for further expansion of Lomount's activities."

WINN SALE

Winn Industries has sold its wholly-owned subsidiary, Kerby Engineering to Legibus Seventy-Seven for a total consideration of £136,649, payable in cash on completion, based on net asset value at December 31, 1977.

On the same date, the property occupied by Kerby Engineering was sold to Legibus Seventy-Seven for £137,500. In 1977, the company produced a pre-tax profit of £9,984.

KLEEN-E-ZE

Kleen-e-ze Holdings has entered into an agreement with the shareholders of Frederick Coxson and Sons to acquire the capital of the company for £35,000—to be satisfied by the issue of 53,847 25p Ordinary shares in Klee-e-ze.

The agreement was reached on the basis of the last audited accounts of Coxson for the year to September 30, 1977. These showed net book assets of £52,983 and a pre-tax profit for the year of £10,404.

SHARE STAKES

Wagon Finance Corpn.:—West Yorkshire Metropolitan County Council Superannuation Fund is beneficially interested in 616,333 shares (5.31 per cent.).

Midhurst White Holdings:—Following the purchase of 150,000 Ordinary shares, Lynsal is now interested in 520,000 Ordinary shares.

Fairbairn Lawson:—Martac Aktiengesellschaft has sold 170,000 Ordinary shares reducing its total holding to 830,000 shares (7.25 per cent.).

Lynton Holdings:—Colguy Holdings now holds 1,318,000 shares (15.02 per cent.).

COMPAIR

A letter giving details of the recent acquisition by CompAir of the fluid power division of Watts Regulator of the U.S., has been sent to shareholders.

The letter discloses that net tangible assets of the Fluid Power Division amount to approximately £4.33m., which incorporates professional valuations of the land and buildings in the U.S. and in England, and of the plant and machinery in America.

Profits for the financial year ended June 30, 1977, before interest payable and taxation amounted to £1,175,000. The Directors of CompAir estimate that, on the same basis and subject to unforeseen circumstances, and on the assumptions set out in the Accountants' Report, profits of the Fluid Power Division for the year ending June 30, 1978 will amount to approximately £1.3m.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Early reaction after recent firmness

BY OUR WALL STREET CORRESPONDENT

NEW YORK, March 21.

THE RECENT rally on Wall Street was halted this morning, as stocks turned easier in much quieter trading.

The Dow Jones Industrial Average came back 5.37 to 768.45 at 1 p.m. and the NYSE All Common Index lost 25 cents to $50.32, while declines outscored gains by nearly a seven-to-four margin. Trading volume contracted to 17.34m. shares from yesterday's heavy 1 p.m. figure of 20.86m.

Closing prices and market reports were not available for this edition.

Analysts said the market is being pulled by cross currents of institutional portfolio adjustments and profit-taking in the wake of the useful recent recovery.

Sears Roebuck, halted on the Big Board pending a news announcement, were last traded at $24¼—the company reported a drop in fourth-quarter earnings although profits for the year were higher.

E. L. Burns, also halted, last sold for $10⅞. Consolidated Oil and three Burns' executives have bought a majority interest in Burns.

Citicorp, which raised its dividend, picked up ⅛ to $20.

Among leading actives, RCA shed ⅛ to $24⅞ and 3M declined ⅜ to $44⅛, but Chris Craft gained ⅛ at $10⅜ and Carrier ⅛ at $16⅛.

IBM declined 1⅛ to $239¼, Du Pont ⅜ to $102⅛, and Bausch and Lomb 1⅛ to $48⅛.

THE AMERICAN SE Market Value Index gave up 0.30 at 127.64 at 1 p.m. Volume 1.62m. shares (2.08m.).

Houston Oil and Minerals, the volume leader, eased ⅛ to $20⅛.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Hercules	326,600	14⅛	−⅛
Amer. Tel. and Tel.	273,900	62	+⅛
RCA Services	248,500	7¾	−⅛
Marriott	239,400	13	+⅛
Florida Power	234,700	30⅜	—
Armstrong Cork	211,900	18	−⅛
Baxter Co.	204,400	5⅛	+⅛
Mesa Petroleum	192,800	33⅛	−⅛
Asarco	177,100	15⅛	+⅛
Boeing	167,700	33	+⅛

OTHER MARKETS

Canada easier

An easier tendency also developed on Canadian Stock Markets in another moderate early trade yesterday. The Toronto Composite Index slipped 1.3 to 1,048.5 at noon, while Golds receded 7.8 to 1,249.5 and Oils and Gas softened 2.5 to 1,397.1. However, Banks hardened 0.52 to 249.43 and Papers 0.13 to 103.97.

PARIS—In the wake of Monday's upsurge on the governing coalition's re-election victory over the Left, Bourse prices tended to react yesterday as operators covered for the end of the monthly Account. Trading was interrupted during the session by a bomb scare.

Engineering sector was firm, but the rest of the market was lower, CCF, CIC, Saint Gobain, L'Oreal, BIC, Suez, Peugeot, Perrier, Michelin and Galeries Lafayette being among leaders to relinquish some ground.

BRUSSELS—Local issues put on an irregular performance in moderate activity.

Sofina, Traction and Vieille Montagne rose, but Sidro, Asturienne, ACEC, St. Roch, and Arbed fell. Societe Generale held steady after forecasting at least an unchanged dividend for 1978, while EBES, which priced its rights issue at B.Frs.1,825, were 20 firmer at B.Frs.2,370. Petrofina added 30 at B.Frs.3,895.

AMSTERDAM — Share prices were mixed again but with a firm bias following another quiet trade.

Royal Dutch, up Fls.2.30, led Dutch International mostly firmer, mainly due to foreign demand and the recovery of the dollar, but Hoogovens were a shade easier.

Companies involved in the reorganisation of the Dutch heavy engineering industry mainly gained ground. VMF-Stork closed Fls.3.50 higher, after an initial rise of almost Fls.5 following news that the Dutch Government will take a 49 per cent. interest in the concern to be formed from the Stork diesel engine sector.

GERMANY—Stock prices were well maintained in fairly quiet trading, as daily newspapers resumed normal publication following a solution to the industrial dispute which has stopped production for six days.

Bonds were mixed, with Public Authority issues showing gains of up to DM0.30 and losses to DM0.20. The Regulating Authorities intervened lightly to smooth out trading after buying a nominal DM2.2m. of stock the previous day.

SPAIN—After the recent weakness, a steadier tone prevailed yesterday, the General Index hardening 0.08 to 7.96. Galerias Preciados recouped 3 points at 60, but Torras Hostench were 5 lower at 91 and Tubacex 4 cheaper at 85.

MILAN—Reversing Monday's good tone, prices generally retreated in moderate trading, with domestic political considerations and a sharp drop in Montedison shares pulling the market down.

Montedison fell 11.5 to L148.25 on the announcement of plans to write down the share capital and raise new funds through a "rights" and Bond issue.

HONG KONG—Shares improved afresh in active trading, particularly Blue Chips, with small investor buying adding to recent strong sentiment.

The combined turnover of the four Stock Exchanges was $HK75.97m., the heaviest since December 23, 1976.

Dealers noted strong buying of Swire Pacific and Hutchison, which rose 10 cents each to $HK6.20 and $HK4.125 respectively, while Hong Kong Wharf gained 20 cents to $HK13.60.

TOKYO—Market was closed yesterday for the Vernal Equinox holiday.

JOHANNESBURG—Gold shares lost further ground in line with lower Bullion prices. Selling was fuelled by reports of renewed Soviet/Cuban involvement in Mozambique, although turnover was small.

AUSTRALIA—Industrials continued to show easier tendency, with BHP losing another 4 cents to $A5.62. C. J. Coles receded 4 cents to $A1.85, but Jennings rose 4 cents to $A1.17.

W. R. Carpenter fell 15 cents to $A1.25 following lower profits.

Among Minings, Pancontinental lost 30 cents to $A8.90, while Gold stocks fell on the lower London Bullion price, with Central Norseman ending 40 cents weaker at $A8.20. BH South, however, improved 4 cents to 83 cents.

NOTES: Overseas prices shown below exclude $ premium. [illegible]

Dollar improves

The dollar gained ground in quiet pre-Easter trading in the foreign exchange market yesterday. It fell quite sharply on occasions, but then recovered, and trading was probably too thin for any intervention by central banks.

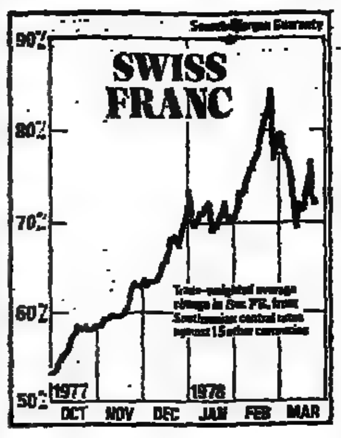
Closing levels were generally around the best of the day for the dollar, and its trade-weighted index on the basis of the Washington Currency Agreement of December, 1971, as calculated by the Bank of England, rose to 90 from 89.7.

In terms of the Swiss franc the dollar improved to Sw.Frs.1.93875 from Sw.Frs.1.9190, and was slightly firmer against the D-mark at DM2.0475, compared with DM2.04075. The Japanese yen rose slightly against the dollar however, to close at Y231.10, compared with Y231.40 on Monday.

Sterling's trade-weighted index, on Bank of England figures, was unchanged at 63.9, after standing at 63.8 at noon and in early trading.

The pound opened at its firmest level of the day in terms of the dollar, at $1.9020-1.9030, but fell to $1.8965-1.8975 as a reflection of the dollar's improvement. Sterling improved from time to time, but returned to $1.8965-$1.8975 at the close, a fall of 70 points on the day.

Gold fell $2¼ to close at $177-$177¾. The metal opened at $178-178¾, and declined in fairly quiet trading. The krugerrand's premium over its gold content eased to 3.17 per cent. from 3.27 per cent. for domestic delivery, and was little changed at 3.03 per cent. compared with 2.99 per cent. in the international market.



CURRENCY RATES

	Special Drawing Rights March 20	European Unit of Account March 20
Sterling	0.547132	0.558868
U.S. dollar	1.23076	1.25389
Canadian	1.38401	1.41218
Austria sch	18.1202	18.4456
Belgian franc	39.1265	39.8517
Danish krone	6.90160	7.03420
Deutschem'rk	2.51656	2.56329
Dutch guilder	2.69295	2.74214
French franc	5.67205	5.77936
Italian lira	1052.93	1072.60
Japanese yen	283.079	289.199
Norway krone	6.57485	6.69438
Spain peseta	98.4082	100.231
Swedish krona	5.66513	5.78608
Swiss franc	2.35653	2.39868

GOLD MARKET

	Mar. 21	Mar. 20
Gold Bullion (a fine ounce)		
Close	$177-177¾	$179¼-180
Opening	$178-178¾	$181¼-182½
Morning fix'g	$177.25 (£93.304)	$181.35 (£95.197)
Aftern'n fix'g	$177.50 (£93.340)	$181.00 (£94.928)
Gold Coin domestically		
Krugerrand	$182-184 (£96-97)	$184½-186½ (£97-98)
New Sov'gns	$55-57 (£28¾-29¾)	$55-57 (£29-30)
Old Sov'gns	$56¾-58¾ (£30-31)	$56½-58½ (£29¾-30¾)
Gold Coins (Internat'lly)		
Krugerrand	$181¾-183¾ (£95¾-96¾)	$184-186 (£96¾-97¾)
N'w Sov'gns	$55-57 (£28¾-29¾)	$54½-56½ (£28¾-29¾)
Old Sov'gns	$57¼-59¼ (£30¼-31¼)	$57¾-59¾ (£30¼-31¼)
$20 Eagles	$291¾-294¾	$292¾-295¾

FOREIGN EXCHANGES

Mar. 21	Bank Rate %	Market Rates Day's Spread	Close
New York	6½	1.8965-1.9030	1.8965-1.8975
Montreal	8	2.1340-2.1405	2.1345-2.1355
Amsterdam	4½	4.14-4.17	4.16¼-4.16¾
Brussels	6	60.35-60.65	60.45-60.55
Copenhagen	9	10.66¼-10.70¾	10.68¼-10.69¼
Frankfurt	3	3.87½-3.90	3.88¼-3.89¼
Lisbon	13	77.50-78.50	77.85-78.35
Madrid	8	151.60-152.00	151.75-151.85
Milan	11½	1,623½-1,630	1,624-1,626
Oslo	8	10.14½-10.18¼	10.16-10.17
Paris	9½	8.81½-8.87½	8.86½-8.87½
Stockholm	8	8.75½-8.78½	8.76-8.77
Tokyo	3½	435-445	438-440
Vienna	6½	27.90-28.10	28.00-28.10
Zurich	1	3.65-3.68	3.67½-3.68½

*Rates given are for convertible francs. Financial franc 60.35-60.55.

OTHER MARKETS

[illegible]

FORWARD RATES

[illegible]

EXCHANGE CROSS-RATES

Mar. 21	Frankfurt	New York	Paris	Brussels	London	Amst'dam	Zurich
Frankfurt	—	2.0465-0500	43.55-75	6.425-435	[illegible]	[illegible]	[illegible]
New York	48.88-49.00	—	21.18-53	3.1475-15	[illegible]	[illegible]	[illegible]
Paris	227.94-8.44	4.6645-6765	—	14.828-85	[illegible]	[illegible]	[illegible]
Brussels	15.55-60	31.89-94	6.82-85	—	[illegible]	[illegible]	[illegible]
London	3.88¼-89¼	1.8965-75	8.86½-87½	60.45-55	[illegible]	[illegible]	[illegible]
Amst'dam	106.945-985	2.1882-1907	46.465-885	6.8715-65	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES*

[illegible]

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

Mar. 20	Mar. 17	Mar. 16	Mar. 15	1977/78 High	1977/78 Low
50.57	50.35	49.97	49.85	57.07 (4/1/77)	48.37 (6/3/78)

Rises and Falls

	Mar. 20	Mar. 17	Mar. 16
Issues traded	1,867	1,806	1,827
Rises	1,003	971	837
Falls	468	[illegible]	506
Unchanged	396	397	484
New Highs	—	76	64
New Lows	—	15	25

MONTREAL

[illegible]

TORONTO

[illegible]

JOHANNESBURG

[illegible]

OVERSEAS SHARE INFORMATION

NEW YORK

[illegible]

CANADA

[illegible]

GERMANY

[illegible]

AMSTERDAM

[illegible]

COPENHAGEN

[illegible]

VIENNA

[illegible]

TOKYO

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

SWITZERLAND

[illegible]

MILAN

[illegible]

AUSTRALIA

[illegible]

PARIS

[illegible]

STOCKHOLM

[illegible]

OSLO

[illegible]

BRAZIL

[illegible]

JOHANNESBURG

[illegible]

Securities Rand $U.S.0.77 (Discount of 33.0%)

SPAIN

[illegible]

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Curtiss-Wright moves to comply with Utah ruling

BY JOHN WYLES

NEW YORK, March 21.

CURTISS-WRIGHT was to-day taking steps to remedy its little local difficulty with the state of Utah which is claiming that the company's purchase of nearly 10 per cent. of the stock of Kennecott Copper Corporation has violated its takeover disclosure law.

Utah's Department of Business Regulation told Curtiss-Wright yesterday that the purchase of Kennecott stock constitutes a takeover bid under the state law and that the company should have filed a registration statement 20 days in advance of the offer.

Utah claims some jurisdiction in the affair because it houses some two-thirds of Kennecott's *10,000-strong workforce. It is* still unclear whether its demand for immediate registration material is anything more than a procedural hiccup in Curtiss-Wright's so far obscure strategy.

The New Jersey-based manufacturer of aerospace components said to-day that it did not believe that the Utah statute applied but that as a matter of courtesy it would provide the information which had been requested. Utah had advised that this would be satisfactory compliance with its law, added Curtiss-Wright.

The purchase of Kennecott stock was disclosed last week in a filing with the Securities and Exchange Commission which requires disclosure of acquisitions of 5 per cent. or more of a company's stock. Curtiss-Wright was, and still is, enigmatic about its intentions but its statement to the SEC discussed the possibility of a bid for representation on Kennecott's Board with the aim of forcing a divestiture of some of the company's assets.

But Curtiss-Wright, whose market valuation of $155m. is modest in comparison with Kennecott's $800m., did not rule out a full-scale takeover bid and claims that it has major lines of credit open with a number of leading U.S. and foreign banks.

The importance of satisfying Utah lies in the fact that the State has threatened to try to prevent Curtiss-Wright from voting its shareholding. This would put a serious obstacle in the way of a proxy fight for Board representation at Kennecott's annual meeting on May 2.

Congoleum bids planned

MILWAUKEE, March 21.

CONGOLEUM CORPORATION is pursuing major acquisitions, according to Mr. Byron C. Radaker, president and chief executive.

"I can see us acquiring a couple of companies in the next two years, each with sales of at least $75m. to $100m. and with good earnings," Mr. Radaker said.

Congoleum is in "good financial condition" to make acquisitions despite spending $65m. last autumn for Curtis Noll, distributor of car parts and industrial hardware.

Congoleum plans a cautious borrowing strategy, as swallowing too much was one of the problems that led to an earnings slump in 1974 and a decision in early 1976 to sell off many companies Congoleum had acquired in the late 1960s and early 1970s.
AP-DJ

Pet offers $94.3m. for Hardee

By Our Own Correspondent

NEW YORK, March 21.

ANOTHER move in the restructuring of America's fast-food industry has been announced with a proposal by Pet to acquire Hardee Food Systems of Rocky Mount, North Carolina.

Pet is offering stock worth $20.50 for each of Hardee's shares, valuing the transaction at $94.3m.

Pet manufactures, markets and distributes food products and store equipment and operates specialty retailing outlets, including roadside stores. Hardee's has over 1,000 fast-food restaurants, 365 of which are company owned with the remainder franchised.

Domtar in U.S. purchase

By Our Own Correspondent

MONTREAL, March 21.

DOMTAR, the Montreal-based *construction materials,* pulp and paper and chemicals group, is planning to buy virtually all the gypsum products business of Kaiser Cement and Gypsum, of the U.S. for $US35.5m. cash including inventory.

Kaiser Cement, part of the Oakland, California-based Kaiser industrial group, will invest the proceeds in cement modernisation, and possibly use some for acquisitions. The deal is due to be closed on April 3.

Dayton Hudson bid agreement

CALIFORNIA, March 21.

DAYTON HUDSON Corporation and Mervyn's have signed a definitive agreement for Mer*vyn's to become a wholly-owned* subsidiary of Dayton Hudson.

As announced in January, terms of the transaction provide for the exchange of 0.8 of a share of Dayton Hudson common stock for each share of Mervyn's common stock outstanding on the date of the merger.

Directors of both companies have approved the transaction but it remains subject to approval by shareholders of both companies as well as other conditions. Both companies have annual meetings due to be held on May 24.
AP-DJ

Sears, Roebuck earnings decline in final period

BY STEWART FLEMING

NEW YORK, March 21.

SEARS, ROEBUCK, the largest U.S. stores chain reported disappointing fourth quarter earnings to-day as efforts to boost its market share showed further *signs of eroding profitability* at the company's retail outlets.

While rival stores chains, including the nation's number two J. C. Penney, have reported record fourth quarter earnings as a result of the Christmas spending spree, Sears said to-day that fourth quarter net income fell from $312.7m. in 1976 (98 cents a share) to $251.8m. (78 cents a share) last year. The decline came in spite of a 12.8 per cent. rise in sales revenues to $4.9bn., and a further surge in the earnings of its major insurance subsidiary, the Allstate group.

Allstate reported net income of $110m. in the fourth quarter compared with $80m. in the fourth quarter of 1976.

For the year as a whole, Sears' net income totalled $837.9m. ($2.62 a share), an increase of 20.7 per cent. over the $694.1m. ($2.18 a share) reported for 1976. Sales revenues rose 15.2 per cent., the largest rise the company has ever recorded, to $17.2bn.

The big sales increase undoubtedly reflects the more aggressive marketing and pricing strategy which Sears has been following in its efforts to meet the mounting competition from fast growing discount stores groups such as K Mart.

But while Sears is adding volume and chairman Mr. Edward R. Telling is claiming this as a success for its market penetration strategy, the costs are showing through on the bottom line.

Most noticeably the company has become increasingly dependent on the profitability of its currently booming insurance operations to keep earnings moving forward. Thus for the whole of 1977 the upturn in the insurance underwriting cycle and strong investment income rises have meant that Allstate contributed $417m. to Sears' income for the year compared with $210m. to the 1976 earnings.

The well-known cyclicality of insurance and the cyclical trends in Sears' retailing of consumer durables is leading to some anxiety among share analysts that the company's profits may be moving towards greater volatility.

But Mr. Telling said to-day that Sears expects to improve its profits performance in 1978 "while continuing to offer quality merchandise at competitive prices throughout the nation." He added that the outlook for 1978 is favourable with further growth ahead for the economy "although at a slower rate of increase than last year."

Warnaco expects profit upsurge

NEW YORK, March 21.

SUCCESSFUL restructuring efforts and the selling-out of some autumn styles, have benefited trading operations at Warnaco, the clothing manufacturer. Earnings for 1978 are expected to total $12m. on sales of $400m. As a result, Warnaco looks forward to the possibility of reinstating a "modest" dividend on its common stock in early 1979, according to Mr. James C. Walker, president and chief executive.

For 1977, Warnaco earned $7.1m. or $1.58 a share on sales of $383.6m. Earnings included $2.5m. from a tax-loss carry forward.

The tax loss carry forward that will shelter domestic earnings for 1978 is likely to be used up this year.

Mr. Walker predicted that net income for the first quarter ending March 31 should be between $1m. and $1.5m. or 25 cents to 35 cents a share compared with $503,000 or 10 cents a share earned a year earlier. Sales should climb to $95m. from $91.3m. A tax loss carry forward to be used during the first quarter is commensurate with one employed during the same quarter in 1977, Mr. Larry L. Pflieger, Sen., senior vice-president, treasurer and chief financial officer, said.

Warnaco, which had been particularly slow to recuperate from the 1973-74 recession, first suspended its 20 cent-a-share quarterly dividend on common stock in August 1976. Dividends on its three preferred issues were subsequently deferred but last December it announced payouts on these issues.

The Board will be able to consider a common share dividend by the end of 1978 because, by earning the projected $12m. the company becomes free of dividend restrictions contained in loan agreements.

Mr. Walker attributed the improved performance to consolidation moves and a corporate streamlining undertaken last year. "No division is budgeted for a loss this year," he said.

Warnaco expects to boost after-tax margins on sales to 3 per cent. this year from 1.6 per cent. during 1977. The long term goal is a margin of 5 per cent.

Mr. Walker concedes that he expected a loss for the second quarter "which is always our problem period." Without a substantial summer business and because retailers are taking delivery of fall goods in July rather than June, Warnaco does not sell many garments between April and June. That means the company is not receiving many payments during the second quarter. On the other hand, Warnaco is spending substantial sums to build inventories of fall goods that will be sent to retail stores beginning in July.

Based on the order book for this autumn, Warnaco expects a "very good third quarter," Mr. Walker said.
AP-DJ

Green Giant ahead in third quarter

LE SEUR, March 21.

GREEN GIANT, the food canning group, reported earnings for the third quarter of its year at $2.7m. or 58 cents a share against $2.5m. or 53 cents in the previous year. Sales increased from $111.9m. to $129.1m. Earnings for the previous year include $2.9m. income *from continuing* operations and $360,000 loss on discontinued operation reports AP-DJ. At the nine month stage, net earnings are $5.7m. or $1.15 a share against $6.5m. or $1.37. Sales of $341.3m. compared with $314.8m.

Third quarter and nine months figures for 1977 have been restated to reflect the acquisition of the Le Chateau Restaurant companies on a pooling of interests accounting basis. Discontinued operations reflect a June 9, 1977, agreement for the disposition of the assets except cash and substantially all the accounts payable and accrued expenses of the company's Schweigert and Copeland meat operations.
AP-DJ

Wheelabrator purchase

HAMPTON, March 21.

WHEELABRATOR-FRYE HAS purchased 6 per cent. or 241,800 of Neptune International Corporation's 3.9m. shares.

Wheelabrator says the "purchase is "just another investment."
AP-DJ

Optimism at Federal

Federal Company, a diversified food concern, expects to report earnings of $3.6m. or $1.25 a share for the third quarter ended February 28 compared with $1.5m. or 50 cents a share in the year ago quarter Mr. R. Lee Taylor, vice president, told AP-Dow Jones in Memphis. For the nine months, earnings increased to $8.4m. or $3.25 a share compared with $7.2m. or $2.49 a share in the year earlier nine months.

Phillips upturn

Phillips Petroleum said in its annual report that 1978 earnings "should be higher than the $516.9m. or $3.37 a share earned in 1977," reports Reuter from Bartlesville.

Occidental down

Occidental Petroleum corporation said results so far in 1978 have been adversely affected by coal operation losses due to the U.S. *coal strike and significantly* reduced profitability from Libyan crude oil operations, reports Reuter from Los Angeles.

Penn Central stock

The Philadelphia Stock Exchange said trading in Penn Central resumed with "unusually heavy volume," with the shares up 37.5 cents until trading was halted on news that the reorganisation plan had been approved.

Citicorp payment

Citicorp has raised the quarterly dividend to 29 cents per share from 26½ cents, payable May 1, reports Reuter from New York. The company has raised its dividend with the May payment in every year since 1973.

Copperweld hopeful

PITTSBURGH, March 21.

COPPERWELD Corporation's chairman, president and chief executive, Mr. Anthony J. A. Bryan, said in the annual report that he expects 1978 to be "an encouraging" year. Significant profit improvements are expected in the steel and tube divisions.

He also added that "restructuring and internationalisation" of the bimetallics business will continue and should result in "modest improvements" in 1978.

The company said its backlog on December 31, 1977, was about $100m., compared with $79m. the previous year.

Last year Copperweld earned $16.3m., or $2.91 a share, adjusted for a two-for-one stock split paid on April 27, 1977, on sales of $346.9m.
AP-DJ

TRW cautious on first quarter

CLEVELAND, March 21.

TRW IS off to a strong start in 1978 and expects sales of earnings gains this year from all three major business sectors and for most products groups, says Mr. Ruben F. Mettler, the Chairman.

The company has realised its objectives in improving the balance sheet and expects to have sufficient internally generated funds to meet 1978 needs, he added.

First quarter results have been adversely affected by unusually severe weather in the east and mid-west and by limited effect of the coal strike, Mr. Mettler said, but the company expects to show a sales and earnings gain. However the earnings gain is unlikely to match the 20 per cent. rise reported for the fourth quarter of 1977.

TRW last year earned $154.2m., or $4.77 a share on sales of $3.26bn. Fully diluted share earnings were $4.21. For the first quarter net was $31.7m. or 98 cents a share on sales of $776.9m. and the fully diluted share net was 86 cents.

Mr. Mettler said the previously reported 20 per cent. rise in fourth quarter net was partly produced by several non-operating factors such as a gain on foreign currency translations in contrast to a currency translation loss a year earlier and a gain on the sale of a subsidiary.

Stripping away all non-recurring and non-operating factors the company's estimate is that "underlying" operating profit for the fourth quarter was between 13 per cent. and 14 per cent. higher than a year earlier.

For the full year such "underlying" operating profit was up 12.9 per cent. from 1976. Net income reported for the year including the unusual elements was up 16.9 per cent. from 1976.

On the other hand, in 1977 the company took additional steps "to improve the quality of our earnings," Mr. Mettler said. It made another in a series of moves to fund pension liability more conservatively. TRW also put another unit on LIFO accounting sacrificing "a couple of million" of profit, he added.
AP-DJ

EUROBONDS

Dollar sector picks up

BY MARY CAMPBELL

THE D-Mark sector sagged somewhat yesterday, while the dollar bond market continued to pick up steam, dealers said. Australia's $300m. issue has been increased to $350m.

In the D-Mark sector, the main interest continued to centre on the primary market. Prospects for a French state-guaranteed issue this month now look much dimmer than on Monday — and indeed there will certainly not be an issue this week for such a borrower.

On the other hand, the calendar is hardly light.

A further DM150m.-worth of new issues emerged yesterday. A DM50m. placement for the steel company Rautarukki under the guarantee of Finland has been launched via Commerzbank. The maturity is 10 years with an average life of eight, and the indicated coupon 5¾ per cent.

Two placements are currently under way for Akzo and Thailand. Akzo is offering DM50m. for six years at 99½ on a 6 per cent. coupon via Deutsche Bank, and Thailand DM50m. for five years on a 6¼ per cent. coupon with Dresdner Bank as lead manager.

Due for announcement to-day is a DM35m. public issue for the Norwegian city of Trondheim, also with Dresdner Bank as lead manager.

In addition to a DM100m. placement for Mexico's Nacional Financiera, a DM200m. offering for Spain is also due after Easter but before the end of the month. (This would be launched via Dresdner Bank, not Deutsche Bank as stated on Monday.)

Prices in the dollar sector will be watched carefully to-day. The European Coal and Steel Community two-tranche issue is due to start trading — the 20-year tranche was priced at 99½ and the 15-year tranche at 100.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

GERMAN NEWS

Sharp fall in Hoechst earnings

BY GUY HAWTIN

FRANKFURT, March 21.

HOECHST, one of West Germany's big three chemical concerns, has reported a heavy drop in profits for 1977. Earnings for Hoechst Ag, the parent concern, fell 12.1 per cent. from DM786m. before tax to DM691m.

According to to-day's report, total world turnover dropped by 0.8 per cent. from DM23.49bn. to DM23.3bn. Sales of the parent concern fell back by 2 per cent. from DM9.65bn. to DM9.46bn. The percentage of export sales against turnover dropped from 50.9 per cent. to 50.5 per cent.

Hoechst said that 1977 was not an easy year. Drastic changes in the foreign exchange rates had adversely affected overseas earnings and exports had also been hit. In order to retain important overseas markets, it had been necessary to accept price cuts, while the concern had also had to face increased competition at home.

Turnover had improved in the final quarter of 1977 compared with the previous months as a result of increased sales overseas, primarily in Asia and Eastern Europe.

Increased demand from the automobile market had improved metallic paint sales, while the printing plate business had also shown sales growth. Newly developed herbicides had also generated a new demand in the plant protection sector.

Plastics and organical chemicals had shown slower growth, and, as with the fibres sector, were still operating at much less than full capacity.

Domestic capacity of Hoechst AG in the final months of 1977 was only utilised to an average of 70 per cent., while the workforce declined by 2.2 per cent. below the level of the previous year. Despite this earnings in the final quarter of 1977 declined even further.

Pre-tax earnings in the final quarter, however, were somewhat better than indicated by the 1977 returns as a result of the new corporation tax reform. However, overall, Hoechst has not benefited from the reduced tax requirement as a result of German corporation tax reform.

A reduction of the dividend is not avoidable. However, the proposals put by the supervisory Board envisage that domestic shareholders will enjoy an increase in real earnings after offsetting corporation tax paid on distributed earnings against personal income taxes.

During the opening months of 1978, there has been no real change in Hoechst's situation. The "alarming" decline in the value of the dollar has increased the concern's difficulties in overseas markets, and pressure on prices in many product areas has increased.

See Lex

Bertelsmann bid barred

By Leslie Colitt

WEST BERLIN, March 21.

THE WEST German cartel office has for the second time this year prohibited a major West German publishing house from taking over a smaller publisher.

The cartel office in Berlin has ruled that Bertelsmann, which it calls West Germany's largest media enterprise, may not take over the Deutsche Verkehrs Verlag, a medium-sized trade publisher of a transport industry newspaper.

Only last month the cartel office ruled that the Axel Springer Verlag, which publishes some of West Germany's largest circulation newspapers and periodicals, could not take a majority 50 per cent. interest in a Hamburg newspaper.

The cartel office's reasons for its latest blocking move is that a merger would give Bertelsmann some dominating market shares, notably 55 per cent. of advertising.

Overseas boost for Holzmann

BY JONATHAN CARR

BONN, March 21.

PHILIP HOLZMANN, one of West Germany's leading construction concerns, increased profits last year thanks to booming foreign business. There were also clear signs of an improvement in domestic demand — albeit from a low level after the building recession of the last few years.

A shareholders' letter giving preliminary results for 1977 specifies neither the profits nor the dividend. But it does note that domestic shareholders (those benefiting from the change in corporation tax law) can expect a markedly higher yield than before.

In 1976 Holzmann made net profits of DM12.1m. (almost $25m.) and paid an unchanged 14 per cent. dividend (DM7 per share).

Last year total construction output topped the DM3bn. mark after DM2.8bn. in 1976. While noting that the increase was due chiefly to its activity abroad, the company also noted some slackening of demand in the OPEC States — one of the most responsive markets so far.

The foreign order intake last year totalled DM1.2bn. — sharply down on the 1976 result when several particularly large individual orders were obtained. But domestic orders rose by 20 per cent. to DM1.9bn. Orders in hand at the end of the year totalled DM5bn.

At home there was a particularly strong increase in orders for housing and for road building. But there still remains overcapacity in the domestic construction industry as a whole.

Tax reform hits Bayerische Vereinsbank

BY OUR OWN CORRESPONDENT

BONN, March 21.

BAYERISCHE VEREINSBANK sharply decreased its business volume and operating profit in 1977—but saw net profit cut, largely because of the extra burden resulting from the reform of corporation tax.

Profits from lending rose by 11.7 per cent. to DM592m. ($290m.) and from commissions by 6.4 per cent. to DM119m. But a heavily increased tax bill (up to DM90.2m. against DM32.4m. in 1976), forced back the net profit figure to DM67.1m. after DM72.8m. in the previous year. As in 1976, a total of DM15m. is being added to reserves.

In common with its competitors, the bank is slightly reducing its dividend this year—although domestic shareholders will actually be better off than last year thanks to receipt of a tax bonus coupon. Ordinary shareholders will receive DM9 per DM50 share against DM10 last year, and preference shareholders DM10.50 against DM11.50 before.

The bank's balance sheet total increased by 14.1 per cent. to DM37.3bn.—against a rise of 13.5 per cent. in 1976. Customer deposits were up by 8.8 per cent. to DM15.8bn. and advances to customers by 10.4 per cent. to DM13.1bn. The banks continuing to expand its business well beyond Bavarian—and German—borders. It now has close to 9,500 employees in 381 branches.

* * *

Dresdner Bank International is to raise its capital by a quarter to L.Frs.2.5bn. (around $78m.). By the end of the current year this subsidiary of Dresdner Bank AG expects assets to total around $6.8bn.

Dutch to take stakes in major companies

By Charles Batchelor

AMSTERDAM, March 21.

DUTCH GOVERNMENT plans to restructure the country's shipbuilding and heavy engineering industries will involve direct state participations in three companies.

The government will take a 49 per cent. share in Holland's largest shipbuilding group, Rijn Schelde Verolme (RSV). It will also acquire 49 per cent. in a new company to be formed by the diesel division of the VMF-Stork engineering group and 48 per cent. in another new company formed from the dredging equipment division of shipbuilder IHC-Holland.

The problems of the lossmaking shipbuilding industry and the more recent difficulties at VMF-Stork have led to a change in government policy which was previously aimed at encouraging a restructuring by means of loans and guarantees.

But its participation in the subsidiaries of VMF-Stork and IHC will still be kept in a minority stake. The parent companies will also retain an equal stake while the remainder will be held by an independent trust representing both partners.

The two ministers responsible for the plan, Mr. Gijs Van Aardenne of Economic Affairs and Professor Willem Albeda of Social Affairs, described the plan as "the largest rescue operation since the war." It will require an injection of about Fls.900m. into VMF-Stork, IHC Holland, RSV and the smaller yard Van der Giessen-De Noord. Nearly Fls.400m. will go to RSV while VMF-Stork will get Fls.235m., ICH-Holland Fls.200m. and Van der Giessen Fls.50m.

The plan will affect around 6,000 jobs out of the 46,000 in the heavy engineering and shipbuilding sectors but there is a difference of opinion over how many jobs will be lost.

Lossmaking Swedish companies now planning to merge

BY WILLIAM DULLFORCE

STOCKHOLM, March 21.

TWO Swedish companies, Billerud and Uddeholm, which reported heavy 1977 losses last week, to-day announced that they were planning to merge. The whole of the Billerud pulp and paper company would be fused with Uddeholm's forest-based operations and its small chemical sector.

Earlier this month, Uddeholm opened talks with SKF, the Swedish multinational roller bearing group, and the Fagersta steel company, on the merging of their special steel interests. If both mergers go through, Uddeholm would be left with its power plants.

Uddeholm has accumulated pre-tax losses of Kr.542m. ($118m.) over the past two years, including Kr.384m. on a Kr.2.6bn. ($566m.) turnover last year. Its forest-based operations turned in a loss of Kr.219m. on sales of less than Kr.700m. The company received a Kr.600m. interest-free state loan last year.

Billerud, too, plunged into the red in 1977, reporting a provisional pre-tax loss of Kr.120m. ($26m.) on sales of Kr.1.46bn. ($318m.). The shares of both companies are currently quoted at below their Kr.100 par value on the Stockholm stock exchange, Billerud at Kr.80 and Uddeholm at Kr.45 per share.

A communique from Billerud to-day said the merger talks would start at once and would be completed quickly. The plan had been agreed in principle by the two concerns' worker directors. Further details could be expected at a Press conference to-morrow.

Higher loss for Boliden

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, March 21.

THE low copper and zinc prices prevailing last year pushed Boliden into a pre-tax loss of Kr.114.7m. ($24.9m.) before extraordinary items, according to the preliminary report from the Swedish metals and chemicals group. This is some Kr.75m. more than the loss made in 1976, but is Kr.15m. better than that forecast at the nine-month stage. Sales grew by 13 per cent. to Kr.2.8bn. ($608m.).

The net adjusted loss is estimated to be Kr.4 a share compared with a loss of Kr.3 a share in the previous year, and the Board proposes to pass the dividend. The dividend had previously been successively cut from Kr.11 a share in 1974 to Kr.10 in 1975 and Kr.7 in 1976.

The Board expects to reverse the profit slide this year, although earnings will continue to be unsatisfactory, unless copper prices firm up substantially. In November, Boliden sold Sala International, its loss-making mining machinery subsidiary, to Allis Chalmers and during the course of 1977 it closed down a copper foundry and a sulphuric acid plant, which had been contributing losses.

Last year's devaluation of the krona should from now on reinforce the group's competitive position. The full devaluation loss of Kr.36.8m. on the foreign borrowings has been included in the 1977 account, boosting the net financial loss for the year to Kr.113.7m.

With reservations about the development of raw material costs, exchange rates and production levels, Boliden expects to make an operating profit of around Kr.100m. this year, and pre-tax earnings after extraordinary items of Kr.25m.

Balance sheet rise at Austrian bank

By Paul Lendvai

VIENNA, March 21.

CREDITANSTALT, Bankverein (CA), Austria's number one bank reports a 14.8 per cent. rise in its consolidated balance-sheet to an all-time peak of Sch.123bn., around $8.3bn.

Taking the Creditanstalt group as a whole, which includes three regional banks as well as Ava, the car hire purchase institute, the aggregate balance-sheet at the end of last year totalled Sch.156bn., a rise of 13.6 per cent. over the 12-months of 1977. Director-general Dr. Heinrich Treichl explained the growth was helped along by what he described as the "unpleasant developments" with regard to the dollar.

Dr. Treichl spelled out that CA accounted last year for 13.3 per cent. of the aggregate assets of the Austrian banking sector, for 11.6 per cent. of the primary domestic deposits, and for over 8 per cent. of savings deposits.

Creditanstalt reports an 11 per cent. rise in deposits to Sch.51bn. CA bonds in circulation, including communal and mortgage issues rose by Sch.3.2bn. to Sch.16.3bn. Savings deposits were up by 10.7 per cent. to Sch.19.3bn.

The director-general also drew attention to the success of the two issues of floating rate notes (worth $40m.). He rejected allegations that a lack of long-term available finance was the reason for the downturn in investments last year.

Last year's rise in interest rates was "not advantageous" for the banks. Gross cash flow before taxes showed a slight increase from Sch.978m. to Sch.996m. Profit after tax improved by 4 per cent. to Sch.460m., and an unchanged dividend of 10 per cent. is announced on the Sch.1.8bn. capital.

Credit Suisse complaint

BY JOHN WICKS

ZURICH, March 21.

THE LATEST move in the legal wrangle between Credit Suisse and the Swiss National Bank comes from the former in the shape of an administrative complaint against the National Bank.

The complaint is in connection with a "demand" for Sw.Frs. 81.7m. of outstanding negative-interest commission. The sum has been levied by the National Bank on Swiss-Franc balances created when funds entrusted to Credit Suisse's Chiasso branch were improperly channelled to the Liechtenstein Company Texon Finanzanstalt.

Credit Suisse, whose complaint is made to the Federal Appeals Court, contends that creditors of Texon are not liable to negative-interest commission. This commission will be charged to the former Chiasso clients, Credit Suisse having retained part of the money repayable to them to cover claims made by the authorities.

Last week the Swiss Finance Ministry announced that it was also appealing against the National Bank decision with the Federal Court. The ministry, which has authorisation from the governing Federal Council to bring this case, bases its calculations on a different system and says that a total of Sw.Frs. 283m. is due. This is considerably more than the amount called for by the National Bank.

Lower earnings from Banque Suez

BY DAVID WHITE

PARIS, March 21.

BANQUE de l'Indochine et de Suez, main banking arm of the Suez Finance, property and industrial group, saw its profits eroded slightly last year to a net Frs.77.2m. ($16.4m.).

The profit position has been stagnating for some time, owing to a slowdown of business in France, compensated by the expansion of the bank's overseas operations in the Middle East and elsewhere.

In 1976 overseas earnings made for a small improvement in net profit to Frs.78.5m. from Frs.76.1m. and a 6.5 per cent. increase in dividend. The proposed dividend for 1977 is unchanged, making a total payout of just over Frs.66m.

The Suez group holding company, Cie Financiere de Suez, recently announced net 1977 earnings virtually unchanged at Frs.171m.

Societe Generale to hold dividend

BRUSSELS, March 21.

SOCIETE GENERALE de Belgique, which earlier this month reported a striking recovery in profits for 1977, expects to maintain its dividend for 1978 at Frs.140 a share.

Shareholders were told at today's annual meeting that the dividend forecast should be viewed against a background of "continuing depression" which will hit the results of the company harder this year than was the case in 1977.

Last year the group managed to lift profits by more than half to B.Frs.1.18bn. (some $37m.) which put Societe Generale, the largest of the holding companies in Belgium, to within 9 per cent. of the 1975 peak earnings level.

The overall outlook is far from bright, shareholders were told. But results of the holding company's banking subsidiaries have "improved" due to rationalisation.

* * *

BRUSSELS based Banque Europeenne de Credit expanded its balance sheet by $2.6bn. in 1977 from $2.1bn. in 1976. Net profit increased by 28 per cent. to $13.1m. from $10.2m. and the Board recommends a 12 per cent. dividend on increased capital.

In the 1977 new medium- and long-term loans were concluded to the countervalue of $567m., bringing the total of these loans to $1.8bn. Short-term advances increased to $323m.

The bank is directly or indirectly owned in equal shares by the members of European Banks International, Agencies

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Malaysian Airline looks for sharp gain

By Wong Sulong

KUALA LUMPUR, March 21.

MALAYSIAN AIRLINE System, the Malaysian flag carrier, expects a sharp increase in profits for the financial year ending this month, following a 15.3 per cent. increase in revenue during the first 10 months of the year.

The airline made a profit of only 1.1m. ringgits ($US475,000) in 1976-77.

MAS general manager, Mr. Saw Huat Lye, said that revenue during the first 10 months was ringgits311m. ($US135m.), compared with ringgits359m. for the whole of the last financial year.

The numbers of passengers is expected to increase by 4 per cent. to 2.6m., while yields per passenger kilometre on the competitive international routes increased by 0.2 cents Malaysian to 13.6 cents.

The company's profits are also expected to improve following measures taken to eliminate malpractices and reduction in overheads.

The airline is still very much passenger-orientated, with passenger revenue forming 87 per cent. of total revenue, compared with 13 per cent. from cargo services.

The airline achieved a 68 per cent. passenger load factor during the first 10 months, against 64 per cent. in 1976-77. It hopes to reach the 70 per cent. target in the coming year.

Sime Darby & Pernas form new company

By Our Own Correspondent

KUALA LUMPUR, March 21.

SIME DARBY Holdings and the Malaysian Government-sponsored Pernas organisation, have formed a new holding company, Pernas-Sime Darby, to manage their joint ventures in Malaysia.

The two companies started their first joint venture in 1972, and now have six subsidiaries dealing in distribution of consumer goods and agricultural machinery, shipping and provision of technical services.

The new holding company will have three directors each from Pernas and Sime Darby, and will be headed by a Pernas appointee, Senator Kamarul Ariffin, the chairman of Bank Bumiputra.

KUALA LUMPUR-KEPONG

Bold expansion policy pays off

BY WONG SULONG IN KUALA LUMPUR

KUALA LUMPUR-KEPONG, the plantation company which passed into Malaysian control following selling by British investors after the racial riots in Malaysia in 1969, has since undergone rapid expansion.

It is now one of the most highly regarded counters on the Kuala Lumpur exchange, and is in a strong position to withstand the vagaries of fortunes arising from commodity price fluctuations. In the last financial year, KLK chalked up a record pre-tax profit of 45.4m. ringgits ($US19.3m.). With better liquidity, it recently redeemed 9m. of the 24m. high-interest debentures issued in 1975.

Good rubber and palm oil prices had helped to boost its profits, but the results showed that the company's bold policy of expansion was paying off.

Prices boost

In 1972, KLK through four subsidiaries, embarked on an ambitious scheme in Johore. Under the deal, the Johore State Government released 28,000 acres to KLK for oil palm cultivation. In return, the company agreed to sell 6,000 acres back when planted with the crop to the State at cost. This transaction was completed in 1976. KLK emerged from the deal as one of the biggest plantation groups in Malaysia, with 24 estates covering 87,000 acres.

Like most other plantation companies, KLK is steadily shifting from rubber to oil palm which gives a better return. Some 57 per cent. of its acreage is now under oil palm and 43 per cent. under rubber, compared with 37 per cent. and 63 per cent. respectively in 1972. Last year, it produced 17.44m. kilograms of rubber and nearly 60,000 tonnes of palm and kernel oil. Its rubber fetched an average price of 217 cents per kilo—24 per cent. higher than in 1976—and this more than made up for the slight fall in output and higher production costs.

Palm oil performed extremely well, contributing 30.4m. ringgits to the company's profits. Price of its palm oil was 1,314 ringgits per tonne and of its kernel oil 670 ringgits per tonne—increases of 41 per cent. and 62 per cent., respectively, over 1976.

Again like other plantation companies, KLK's future will depend a great deal on the vagaries of commodity prices. But given stable prices, its earnings potential seems excellent, as a large percentage of its estates has not yet reached maturity or maximum productivity. Immature rubber covers 10,700 acres, or 29 per cent. of the rubber acreage, while 15,400 acres, or 31 per cent., of the oil palm acreage, are immature.

It recently commissioned a 5m. ringgit palm oil mill at its Landak estate in Johore, and with further expansion to another mill, the processing capacity in its four mills has expanded by 30 per cent. to 122 tonnes an hour, to meet the rising output from its estates.

Investments

KLK also has substantial investments in other plantations, including 19 per cent. in Highlands and Lowlands, and 26 per cent. in Yule Catto, both with good yield potential.

It owns three small wheat and sheep farms in Australia and the U.K. which are reporting small losses, and some Malaysian shareholders are expected to request these to be sold.

In Datuk Lee Loy Seng, KLK has a chairman who is well tuned to the rapidly changing Malaysian business and political scenes.

Last year, the company announced it was selling the 1,445 acre Kepong Estate to Multi-Purpose Holdings, set up with the backing of the Malaysian Chinese Association, the major political party, for 29m. ringgits. At a glance, the price is cheap considering the land lies just outside Kuala Lumpur. But the company would be well served by the price (the deal is still pending) as the land has been gazetted for a public park, and the MCA is trying to get it reconverted into a housing scheme.

In keeping with Government policy, shareholders are being asked at the annual meeting tomorrow to approve the issue of 15m. shares to Malays at a discount price of 1.15 ringgits, compared to 1.70 ringgits on the exchange. Some 11m. of the shares are expected to go into the hands of the institutions. This issue would bring KLK's share capital to nearly 170m. ringgits.

HONG KONG COMPANIES

Zung Fu and Anderson Asia turn in record results

BY DANIEL NELSON

HONG KONG, March 21.

OFFSHOOTS OF two of Hong Kong's major trading houses had good news for their parents, and outside shareholders to-day.

Jardine Matheson's Zung Fu reported a 24 per cent. profit rise to $HK21.03m. ($US4.6m.), a 20 per cent. total dividend increase to 6 cents and a bonus one-for-five issue.

The profit figure for the year to December 31 is after tax and minorities and exceeds even the optimistic forecasts made after nine months, when profits were 20 per cent. up. The 1976 figure of $HK16.93m. was itself a record.

The final dividend is 3.5 cents. The directors say that the unaudited figures for the first two month of 1978 show a good beginning to the year, that trading results should exceed those for 1977 and that the dividend will be maintained on the capital as increased by the bonus issue.

Hutchison Whampoa's quarrying subsidiary Anderson Asia (Holdings) announced a one-for-ten bonus issue "to mark a year of record achievement," for which a consolidated net profit of $HK24.96m. ($U.S.5.4m.) was recorded.

The profit, together with pre-acquition profit of $HK4.67m. of its wholly-owned subsidiary Asia Stone, represents an increase of 113 per cent. over the combined consolidated net profits of Anderson (Holdings) and Asia Stone in 1976 before their merger. The performance reflects the booming state of the construction industry in the colony. $HK23.22m.

A final dividend of 12 cents will be paid making a total of 20 cents for the year to December 31, against 15 cents in 1976.

HUD is ahead of target

BY OUR OWN CORRESPONDENT HONG KONG, March 21.

AS A RESULT of "rapid progress" at Hong Kong United Dockyards' new Tsing Yi complex, the company is to phase out its Taikoo yard by the end of the year. It was originally planned to close the yard in 1979.

Managing director David Hall said the earlier move to Tsing Yi was highly desirable "as the company can then expand into the larger ship market, utilising our new floating dry dock 'Whampoa'."

He expressed confidence that the ship repair market, particularly in vessels up to Panamax size, would strengthen, and the acceleration of development plans at Tsing Yi would help the company meet that demand.

The new floating dock, capable of accommodating vessels up to 70,000 dwt for repair and conversion work, began final tests this week, and the first ships have been booked for docking in April. The dock will be joined by HUD's existing floating dock, now at Taikoo, in December.

Nanyang Press makes progress

BY H. F. LEE

SINGAPORE, March 21.

THE LEADING Singapore Chinese language newspaper publishing company, Nanyang Press Singapore (1975), has reported a 33 per cent. increase in pre-tax profit to S$1.2m. for the half-year to January.

The gain was achieved on a 12.3 per cent. improvement in turnover to S$8.75m.

The company forecasts that the net profit for the year ending July "will be somewhat higher than that of the previous year."

Banking expansion

ESTABLISHED BANKERS in Hong Kong are looking forward to a "regulated expansion" of foreign banks in Hong Kong now that the local Government is lifting its 12-year moratorium on new bank licences, the Hong Kong trade development council reported in London this week.

Hong Kong's financial secretary Mr. Philip Haddon-Cave, has told the Legislative Council that he is opening up applications to allow foreign banks to establish full branches if they follow these conditions:

- The applicant banks are incorporated in countries whose monetary authorities exercise effective supervision and have, where necessary, approved the establishment of a branch in Hong Kong.
- The applicant banks are of a substantial size, that is to say for this purpose total assets, net of contra items, should exceed the equivalent of $U.S.3bn.
- Some form of reciprocity is available to Hong Kong in the applicant's country of incorporation.

Foreign banks that qualify will be further subject to the condition that they may conduct business from one office in Hong Kong.

With the exception of U.K.-based Barclays Bank in 1972, no new banking licences have been issued in Hong Kong since 1965 the trade development council points out. Hong Kong now has 74 licensed banks.

As a result, many foreign banks wanting to set up in Hong Kong have had to resort to a representative office or register under the deposit-taking companies ordinance as a finance company. Last year, Hong Kong registered 102 representative offices of foreign banks and about 201 deposit-taking companies of which some were locally based.

* * *

JACK CHIA International's option to purchase 15.1 million shares in Apollo Tours and Travels which expired on March 18, has been extended to May 18, reports AP-DJ from Singapore.

The extension of the option will enable Jack Chia to review the audited accounts of Apollo, which are expected by May, the company said.

Tractors Malaysia

TRACTORS Malaysia, the Sime Darby heavy equipment distributing subsidiary, has reported a rise of 5.3 per cent. in pre-tax profits for the first half of the financial year, to $M21.06m. (some $U.S.9m.), Wong Su Long writes from Kuala Lumpur. Group net profit was $M11.14m., against $M10.56m. Sales rose 10 per cent. to $M179.5m. ($U.S.76m.), from $M162.97m.

* * *

Consoliated Plantations, the Sime Darby subsidiary has reported an unaudited consolidated net profit of $M21.42m. ($U.S. 9.1m.) for the six months to December 31, against $M21.95m. a year earlier. The interim dividend is unchanged at 35 per cent., and a three-for-one bonus issue is proposed.

AECI pause in spending

BY RICHARD ROLFE

JOHNNESBURG, March 21.

IN HIS chairman's statement for AECI, in which ICI and De Beers Industrial Corporation hold just under 40 per cent. each, Mr. Harry Oppenheimer says that results for 1978 will depend on the rate of improvement in the South African economy, where substantial spare capacity exists.

No further major capital expenditure is planned at AECI, which manufactures explosives and chemicals, and is engaged in the R240m. coalplex project, "until the pattern of future demand becomes clear and the major capital programme over the past five years has been digested." Mr. Oppenheimer notes, however, that the fall of the dollar, to which the rand is pegged, has opened up export opportunities and also made some categories of imports more expensive.

* * *

DARLING AND HODGSON, the civil engineering and construction arm of Union Corporation, which holds 51 per cent. of the shares, says in its annual report that it plans to increase profits again in 1978.

But the chairman, Mr. J. B. Hodgson, says that there is little evidence of any recovery in the South African economy and that on the contrary, indications are of "a further deterioration, especially in those areas most affecting our activities" unless public spending on infrastructure is raised.

The order book is currently strong, but substantial work will have to be found if the group is to enter 1979 with an adequate base.

Food takeover lifts J. Gadsden

BY JAMES FORTH

SYDNEY, March 21.

BUOYED BY results from recent acquisitions, packaging group J. Gadsden Australia increased profit from $A1.75m. to $A4.1m. ($US4.7m.) in the December half year. Reflecting the take-over of Consolidated Foods—Melbourne's largest milk distributor—sales rose almost 90 per cent. to $A120m. ($US137m.). Without Consolidated Foods, turnover would have risen only 18 per cent.

Gadsden acquired Consolidated Foods in mid-1977 through a $A15.5m. take-over bid, and the directors said that the purchase had proved most beneficial to the group.

The interim dividend is increased from 5 cents a share to 8 cents. The most pleasing aspect of the half year, according to the Board, was the marked slowing in the rise of costs, both in raw materials and wages. They expected that the result for the full year would be satisfactory.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 8¾pc 1989	96½	97½
AMEV 8pc 1987	96¾	97½
Australia 8¾pc 1992	94¾	95½
Australian M. & S. 9½pc '92	98½	99½
Barclays Bank 8¾pc 1992	97¼	98¼
Bowater 9¼pc 1992	98¼	99
Can. N. Railway 8¾pc 1986	98¼	99
Credit National 8¾pc 1986	97¾	98¼
Denmark 8¾pc 1984	100¼	101¼
ECS 9pc 1995	99	99½
ECS 8¾pc 1997	95¾	96¼
EIB 8¾pc 1992	95¼	96¼
EMI 9½pc 1989	95½	96½
Ericsson 8¾pc 1989	101¼	102
Esso 8pc 1986 Nov.	96¼	97
Gt. Lakes Paper 8¾pc 1984	99¼	100
Hamersley 9½pc 1992	100¼	101
Hydro Quebec 9pc 1992	96½	97½
ICI 8¾pc 1987	97½	98¼
ISE Canada 9¼pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	96¼	97½
Massey Ferguson 9¼pc '91	98¼	99½
Michelin 9¼pc 1988	102¼	103
Midland Int. Fin. 8¾pc '92	96½	98¼
National Coal Bd. 8pc 1987	94¾	95½
National Westmstr. 9pc '86	101¼	102¼
Newfoundland 9pc 1989	100¼	101¼
Norges Kom. Bk. 8¾pc 1992	96¾	97½
Norpipe 8¾pc 1989	97	97½
Norsk Hydro 8¾pc 1992	96½	97
Oslo 9pc 1988	101¼	102¼
Ports Autonomes 9pc 1991	99	99½
Prov. Quebec 9pc 1995	96½	97½
Prov. Saskatch. 8¾pc 1986	100¼	101¼
Reed International 9pc 1987	93	94
RHM 9pc 1992	94	94½
Selection Tst. 8¾pc 1989	90¼	91¼
Skand. Enskilda 8pc 1991	98¼	100
SKF 8pc 1987	93¼	94
Sweden (K'dom) 8¾pc 1987	95¾	96¼
United Biscuits 9pc 1989	99¼	100
Volvo 8pc 1987 March	93	93¾
NOTES		
Australia 7¾pc 1984	96½	97
Bell Canada 7¾pc 1987	95¼	96¼
Br. Columbia Hyd. 7¾pc '85	95¾	96¼
Can. Pac. 8¾pc 1984	99¼	100¼
Dow Chemical 8pc 1986	97	97½
ECS 7¾pc 1982	97	97½
ECS 8¾pc 1989	95¾	96½
EEC 7¾pc 1982	97	97½
EEC 7¾pc 1984	96	96½
Enso Gutzeit 8¾pc 1984	97	98
Gotaverken 7¾pc 1982	96	96½
Kockums 8pc 1983	98¼	98½
Michelin 8¾pc 1983	100	100½
Montreal Urban 8¾pc 1981	101¼	102
New Brunswick 8pc 1984	97¾	98½
New Bruns. Prov. 8¾pc '83	100¼	101¼
New Zealand 8¾pc 1986	95¾	96½
Nordic Inv. Bk. 7¾pc 1984	95¼	96
Norsk Hydro 7¾pc 1982	97¼	98¼
Norway 7¾pc 1982	96	96½
Ontario Hydro 8pc 1987	96½	97½
Singer 8¾pc 1982	100¼	101¼
S. of Scot. Elec. 8¾pc 1981	100	100½
Sweden (K'dom) 7¾pc 1982	97¼	98¼
Swedish State Co. 7¾pc '82	97¼	98¼
Telmex 9¾pc 1984	99¼	100¼
Tenneco 7¾pc 1987 May	94¾	95¼
Volkswagen 7¾pc 1987	95	95½
STERLING BONDS		
Allied Breweries 10¼pc '90	97½	98½
Citicorp 10pc 1993	97	97½
Courtaulds 9½pc 1989	95¼	96¼
ECS 9¾pc 1989	97½	98½
EIB 9¾pc 1988	98¼	100¼
EIB 9¾pc 1992	97¼	98¼
Finance for Ind. 9¾pc 1987	97¼	98¼
Finance for Ind. 10pc 1989	97¼	98¼
Fisons 10¾pc 1987	100¼	101¼
INA 10pc 1988	96¼	97½
Rowntree 10¾pc 1988	97	97½
Sears 10¾pc 1988	97	97½
Total Oil 9¾pc 1984	96½	97½
DM BONDS		
BFCE 5¾pc 1988	100	100½
BNDE 6¾pc 1988	97½	98¼
CFE 6¾pc 1989	97½	98¼
Denmark 6¾pc 1984	100¼	101
ECS 5¾pc 1990	96	96½
EIB 5¾pc 1990	97¼	98¼
Euratom 5¾pc 1987	99¼	100¼
Eurofima 5¾pc 1989	99¼	100¼
Finland 5¾pc 1986	99¼	99¾
Forsmarks 5¾pc 1990	99¼	100
New Zealand 5¾pc 1990	99¼	100¼
Norcem 5¾pc 1989	100¼	101¼
Norway 4¾pc 1983	101¼	102¼
Philippines 6¾pc 1983	97	97½
Sweden 6pc 1990	101¼	102¼
Tauernautobahn 5¾pc 1988	99¼	100¼
TVO Power Co. 6pc 1988	99¼	99¾
Venezuela 6pc 1988	98	98½
World Bank 5¾pc 1990	99¼	100
FLOATING RATE NOTES		
Bank of Tokyo 1984 7 5/16pc	98¼	99¼
BFCE 1984 8¼pc	99¼	100¼
BNP 1983 8 1/16pc	99¼	100¼
CCF 1983 8pc	99¼	100¼
CGMF 1984 7¾pc	98¼	99
Creditanstalt 1984 7¾pc	99¼	99¾
Credit Lyonnais 1982 8pc	99¼	100
DG Bank 1982 7 13/16pc	99¼	100¼
GZB 1981 8 1/16pc	100¼	100¾
Intl. Wstmnstr. '84 7 15/16pc	99¼	100¼
Lloyds 1983 7¾pc	100¼	[illegible]
LTCB 1983 8pc	99¼	100
Midland 1982 8pc	100¼	101¼
Midland 1987 7 11/16pc	98¼	99¼
OKB 1983 7¾pc	100	100½
SNCF 1985 8¾pc	98¼	99
Std. and Chtrd. '84 7 13/16pc	99¼	100¼
Wms. and Glyns '84 8 1/16pc	99¼	100¼

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¾pc '87	82	83
Ashland 5pc 1988	87	89
Babcock & Wilcox 6¾pc '97	95	96
Beatrice Foods 4¾pc 1992	94	96
Beatrice Foods 4¾pc 1992	106	108
Beecham 6¾pc 1992	94¾	95¾
Borden 5pc 1992	99¼	101¼
Broadway Hale 4¾pc 1987	79¼	81¼
Carnation 4pc 1987	77¼	79¼
Chevron 5pc 1988	125¼	127¼
Dart 4¾pc 1987	78¼	80¼
Eastman Kodak 4¾pc 1988	81	83
Economic Labs. 4¾pc 1987	77¼	79¼
Firestone 5pc 1988	80¼	82¼
Ford 5pc 1988	84¼	86¼
General Electric 4¾pc 1987	81¼	83¼
Gillette 4¾pc 1987	77	79
Gould 5pc 1987	109	111
Gulf and Western 5pc 1988	82¼	84¼
Harris 5pc 1992	146	148
Honeywell 6pc 1986	87	89
ICI 6¾pc 1992	87	[illegible]
INA 6pc 1997	95	96¼
Inchcape 6¾pc 1992	108	109
ITT 4¾pc 1987	84¼	86¼
Jusco 6pc 1992	105¼	106¼
Komatsu 7¾pc 1990	114¼	115¼
J. Ray McDermott 4¾pc '87	147	149
Matsushita 6¾pc 1990	124¼	125¼
Mitsui 7¾pc 1990	111¼	112¼
J. P. Morgan 4¾pc 1987	90	92
Nabisco 5¾pc 1988	98	100
Owens Illinois 4¾pc 1992	111	113
J. C. Penney 4¾pc 1987	76¼	78¼
Revlon 4¾pc 1987	107¼	109¼
Reynolds Metals 5pc 1988	82	84
Sandvik 6¾pc 1988	110	112
Sperry Rand 4¾pc 1987	84	86
Squibb 4¾pc 1987	78¼	80¼
Texaco 4¾pc 1988	77¼	79¼
Toshiba 6¾pc 1992	112	114
Union Carbide 4¾pc 1982	93	95
Warner Lambert 4¾pc 1987	81	83
Warner Lambert 4¾pc 1988	73	75
Xerox 5pc 1988	77¼	79¼

Source: Kidder, Peabody Securities.

This announcement appears as a matter of record only. March 1978

Privredna Banka Zagreb

US $353 million Project-Related Financing

in respect of the

Kutina II Petrochemical Complex

US $105,000,000
Seven Year Term Loan

Managed by

BankAmerica International Group
Citicorp International Group
Chase Manhattan Limited
Chemical Bank
First City National Bank of Houston
National Westminster Bank Limited
Toronto Dominion Bank

Provided by

Bank of America NT & SA
Citibank, N.A.
The Chase Manhattan Bank, N.A.
Chemical Bank

First City National Bank of Houston
International Westminster Bank Limited
Toronto Dominion Bank

Amsterdam-Rotterdam Bank N.V.
Bank Mees & Hope NV
The Bank of Nova Scotia Trust Company (United Kingdom) Limited

Bank of Scotland
Manufacturers Hanover Trust Company
Moscow Narodny Bank Limited

Commercial Credit International Banking Corporation
Shawmut Bank of Boston, N.A.
The Sumitomo Trust and Banking Company, Limited
Bank Bumiputra Malaysia Berhad (London Branch)
Crédit Lyonnais, London Branch
International Energy Bank Limited
Al Saudi Banque
The Bank of Tokyo, Ltd.
Banque Internationale à Luxembourg Société Anonyme

Banque Nordeurope S.A., Luxembourg
Clydesdale Bank Limited
FRAB Bank International
International Bank of Singapore Limited
Iran Overseas Investment Bank Limited
Lazard Brothers & Co., Limited
London & Continental Bankers Limited
The National Bank of Australasia Limited
National Bank of Detroit
Nordic Bank Limited
Northland Bank, Calgary, Alberta, Canada
Sal. Oppenheim jr. and Cie.
Riggs National Bank of Washington, D.C.
UBAF Bank Limited

Agent

BANK OF AMERICA INTERNATIONAL LIMITED

US $50,000,000
Seven Year Term Loan

Managed by

BankAmerica International Group
Banque de l'Union Européenne

Co-Managed by

Chemical Bank
Société Générale

Provided by

Bank of America NT & SA
Société Générale
Banque Nationale de Paris
Crédit Lyonnais
Banque de l'Union Européenne
Chemical Bank
Banque de l'Indochine et de Suez
Banque Commerciale pour l'Europe du Nord (Eurobank)
Société Centrale de Banque
Banque Franco Allemande

Agent

BANK OF AMERICA INTERNATIONAL LIMITED

US $25,000,000
Floating Rate Notes Due 1985

Arab Finance Corporation S.A.L.
Bank of America International Limited
Société Générale
Westdeutsche Landesbank Girozentrale
Banque Arabe et Internationale d'Investissement (B.A.I.I.)
Banque de l'Union Européenne
Kredietbank S.A. Luxembourgeoise
Kuwait International Investment Co. s.a.k.
Union de Banques Arabes et Françaises – U.B.A.F.
FRAB Bank International
Union Bank of the Middle-East Ltd, Dubai

Afin SpA – Rome
Alahli Bank of Kuwait (K.S.C.)
Al Saudi Banque
A. E. Ames & Co. Limited
Arab African Bank (Cairo)
The Arab & Morgan Grenfell Finance Company Limited
Banca del Gottardo
Banco di Santo Spirito
Bank Gutzwiller, Kurz, Bungener (Overseas) Limited
Bank of Helsinki Limited
Banque Bruxelles Lambert S.A.
Banque Française du Commerce Extérieur
Banque Libano-Francaise S.A.L.
Banque Nationale de Paris
Bergen Bank
Berliner Handels- und Frankfurter Bank
Compagnie Monégasque de Banque
Crédit du Nord
Den norske Creditbank
The Development Bank of Singapore Limited
Euramerica-Finanziana Internazionale SpA
European Arab Bank (Brussels) S.A.
Euroseas Banking Company (Qatar) Ltd.
First Boston (Europe) Limited
Genossenschaftliche Zentralbank AG Vienna

Girozentrale und Bank der Oesterreichischen Sparkassen Aktiengesellschaft
The Gulf Bank K.S.C. Kuwait
Kuwait International Finance Co. (KIFCO)
Lazard Brothers & Co., Limited
The National Bank of Kuwait S.A.K.
Norddeutsche Landesbank Girozentrale
Oesterreichische Laenderbank Aktiengesellschaft
Postipankki
Privatbanken Aktieselskab
Sanwa Bank (Underwriters) Limited
Skandinaviska Enskilda Banken
Société Bancaire Barclays (Suisse) S.A.
Société Centrale de Banque
Société Générale de Banque S.A.
Société Séquanaise de Banque
Tokai Kyowa Morgan Grenfell Limited
Trade Development Bank London Branch
Tradition International S.A.
Union Bank of Finland Ltd.
Union de Banques Arabes et Européennes – U.B.A.E. Société Anonyme
Unione de Banche Arabe ed Europee (Italia) SpA
United International Bank Ltd.
Vereins- und Westbank Aktiengesellschaft
Wardley Middle East Limited
Yamaichi International (Nederland) N.V.

US $51,523,719 Medium Term Loan

with the funding and payment guarantee of

Export Credits Guarantee Department

Arranged by

Lazard Brothers & Co., Limited

Provided by

Lazard Brothers & Co., Limited
Bank of America NT & SA
Citibank, N.A.
Chemical Bank
First City National Bank of Houston
International Westminster Bank Limited
Toronto Dominion Bank
The Bank of Nova Scotia Trust Company (United Kingdom) Limited
Manufacturers Hanover Trust Company

Bank Bumiputra Malaysia Berhad (London Branch)
Crédit Lyonnais, London Branch
International Energy Bank Limited
The Bank of Tokyo, Ltd.
Banque Internationale à Luxembourg Société Anonyme
Iran Overseas Investment Bank Limited
The National Bank of Australasia Limited
National Bank of Detroit
Nordic Bank Limited

Agent

Lazard Brothers & Co., Limited

US $22,875,370 Medium Term Loan

with the funding and payment guarantee of

Export Credits Guarantee Department

Arranged by

Morgan Grenfell & Co. Limited

Provided by

Morgan Grenfell & Co. Limited
Bank of Scotland
Atlantic International Bank Limited
The Sumitomo Trust and Banking Company, Limited
Lazard Brothers & Co., Limited
Moscow Narodny Bank Limited
Al Saudi Banque

Banque Nordeurope S.A., Luxembourg
Clydesdale Bank Limited
FRAB Bank International
International Bank of Singapore Limited
London & Continental Bankers Limited
UBAF Bank Limited

Agent

Morgan Grenfell & Co. Limited

Dfls 115,000,000 Medium Term Loan

guaranteed by

Nederlandsche Credietverzekering Maatschappij N.V.

Arranged and Provided by

Bank Mees & Hope NV
Nationale Bank voor Middellang Krediet N.V.

Agent

Bank Mees & Hope NV

FF 250,900,000 Medium Term Loan

guaranteed by

Compagnie Française d'Assurance pour le Commerce Extérieur

Arranged by

Banque de l'Union Européenne · Société Générale · Banque Française du Commerce Extérieur

Provided by

Banque de l'Union Européenne
Société Générale
Banque Nationale de Paris
Crédit Lyonnais
Chemical Bank
Banque de l'Indochine et de Suez
Banque Commerciale pour l'Europe du Nord (Eurobank)
Banque Française du Commerce Extérieur

Agent

Banque de l'Union Européenne

Total Project Financing Arranged by

BankAmerica International Group

Arab Finance Corporation S.A.L.
Bank Mees & Hope NV
Banque de l'Union Européenne
Lazard Brothers & Co., Limited
Morgan Grenfell & Co. Limited

FARMING AND RAW MATERIALS

S. Africans expect big maize crop

By Our Own Correspondent

JOHANNESBURG, March 21.

THE SOUTH AFRICAN Department of Agriculture's first estimate of the 1978 maize crop has exceeded even the most optimistic expectations. Although figures for the black farming areas are not yet available, the Department estimates that white farmers will produce 9.5m. tonnes of maize this year. That is roughly the same as last year's crop and considerably higher than 1976's 7.3m. tonnes.

In past years, black maize farmers have produced an average of about 300,000 tonnes a year, so the total estimate of the 1978 crop will probably be around 9.8m. tonnes.

Poor planting conditions in most areas as a result of drought late last year, and abnormally heavy rains during January and February led most observers to believe that the crop would not exceed about 9.2m. tonnes.

The Maize Board, anticipating a lower crop, had reduced its export programme in recent months, but 16 cargoes are being offered for May shipment, the highest number in three months.

Traders are now confident that the June programme will reach 18 or 19 cargoes.

The Department estimates that the crop will be about half yellow maize and half white. The grain sorghum crop is estimated at 422,000 tonnes, compared with last year's harvest of 374,000 tonnes.

European output of zinc cut

By Our Commodities Editor

ONE OF Europe's leading zinc producers, Vielle Montagne, said yesterday it was cutting output of zinc ingots by 2,500 tonnes a month with immediate effect.

The company added, Reuter reported from Brussels, that the cut was based on a 1977 production level of 17,000 tonnes monthly and would be maintained until after the summer holiday.

The announcement helped steady the zinc market on the London Metal Exchange in generally quiet trading conditions ahead of the Easter holiday.

Pre-holiday bookssquaring helped tin prices rise slightly despite another sharp fall in the Penang market overnight. The decline in Penang took the Straits tin price down $M29.625 to $M1,504 a picul—only $M4 above the ceiling price of the International Tin Agreement.

Colombia steps up coffee price competition

BY RICHARD MOONEY

COFFEE FUTURES gained ground on the London futures market yesterday despite confirmation that Colombia had relaxed its export pricing policy. Dealers attributed the rise, which lifted May delivery coffee by £36 to £1,401.5 a tonne, mainly to speculative buying against earlier "short" sales. They said the Colombian move had been widely anticipated and was already discounted at current levels.

On Monday night, the coffee industry in Bogota denied reports that the country's export pricing arrangements had been altered. But by yesterday morning they had changed their tune. Details of the new policy are not available but it appears that the ceiling on price discounts for export sales has been abandoned, effectively removing the "floor" from the export market. The maximum discount was previously set at 10 U.S. cents a pound.

The Colombian move raises further doubts about the chances of success of the sales boycott announced by the Central American "other milds" coffee producers last week.

This sales ban is intended to boost world coffee prices to more remunerative levels but dealers in London and New York have been sceptical about the prospects of such an outcome because of the apparent eagerness to sell displayed recently by Brazil.

Now that Colombia, the world's second biggest coffee producer, is also showing signs of a more aggressive sales policy the likely impact of the "other milds" ban can only decline.

In the face of such unpropitious circumstances the determination of some of the Central Americans themselves, particularly El Salvador and Mexico which are thought to be poorly sold, is being called into question.

An encouragement to yesterday's price rise was provided by a warning from El Salvador that the country's crop may have been damaged by a recent spell of bad weather.

Officials of Compania Salvadorena del Cafe said rain during the past three weeks brought on flowering but this was followed by strong winds which knocked the flowers off the bushes. They said their information was based on reports coming in from the coffee growing areas but added that it was not possible at this stage to estimate the extent of the damage to the 1978-79 crop.

Similar damage reports have been issued by the Costa Rican coffee authorities and the bad weather has also affected Mexico and the other Central American countries. But no damage reports have yet been received from elsewhere.

While forward positions advanced on the terminal market the prompt March position was trimmed back as significant quantities of Ivory Coast coffee moved onto the market. These extra supplies found few buyers and the surplus pushed March coffee to £1,467.5 a tonne, down £15.5 on the day.

Tea trade thrown into confusion

By Our Commodities Staff

LONDON TEA traders were thrown in a further state of confusion yesterday when Mr. Roy Hattersley, Prices Secretary, failed to make his expected statement on whether he would take legislative action to impose a maximum retail price for tea.

The London tea auctions, which were postponed for two days in the hope that a statement by Mr. Hattersley would clear the air and enable U.K. blenders to start buying again, will go ahead to-day as planned. But it is not known yet whether blenders will continue to stay away as they have done for the past two weeks, reducing the auctions to a farce.

The Department of Prices explained that there was no firm commitment to make a decision as soon as the consultation period had ended on the draft order setting a maximum retail tea price.

The result of the consultations, investigating the current level of tea prices and the blenders disagreements with the Price Commission report, were still being studied.

It appears the recent price reductions and voluntary cuts by leading supermarkets might have brought prices close to the target sought by the department so there might be no need to implement the order setting a maximum price level.

Blenders say they cannot resume buying until they know whether they might be forced to sell at a loss by the retail price of the finished product being fixed at an artificially low level. In the absence of any definite statement they might decide to continue taking a cautious view, although they are understood to be coming close to the point when stocks are falling to dangerously low levels.

Poor demand, however, with the retail trade and the housewife holding off to see whether prices will be forced even lower, means that the pressure on stocks is less than usual since sales remain depressed.

RUBBER SUBSTITUTE

Desert shrub set to stage a comeback

BY A CORRESPONDENT RECENTLY IN TEXAS

THE POSSIBILITY of a natural rubber shortage has prompted a panel of American experts to recommend U.S. and Mexican Government support for commercial production of rubber from a little-known shrub unique to North America — the guaylue. Petroleum-based synthetics will continue to be only a second choice for many applications, according to industry, so only a new source of natural rubber could fill the expected shortfall. And since hevea rubber plants are grown in a limited area, which makes those supplies vulnerable to politics, economics and even disease, the maintenance-free guayule could avert a natural rubber crisis.

Hevea rubber production has been increasing at a rate of 5.7 per cent. a year in recent years, according to the World Bank. This increase in production, which is due to recent breakthroughs that raise the yield per tree, has nearly matched increased demand. However, the World Bank and the Malaysian Rubber Research and Development Board doubt whether yields can be increased indefinitely. They say that by the early 1980s hevea rubber production will be increasing by only about 4 per cent. a year, while demand will be increasing by 6 to 7 per cent.

Potential

The rubber-producing potential of the guayule, a desert-loving, three-foot-high relative of the sunflower, has long been known. Balls made of guayule rubber were used by the Aztecs of Mexico.

In this century, fortunes have been made and lost in guayule rubber. In 1910 half of America's rubber was extracted from uncultivated guayule plants. More than a dozen rubber extraction plants were in operation in Mexico and Texas and speculators with visions of guayule fortunes created a land boom in America's desert south-west. Men such as Bernard Baruch, John D. Rockefeller and Daniel Guggenheim invested $30m. in the Continental - Mexican Rubber Company, which was largely responsible for making Mexico a rubber exporter. However, by 1912 reckless exploitation without replanting or cultivation had completely devastated the wild guayule stands. Depletion of the guayule, coupled with the Mexican revolution, caused most of the rubber mills to close.

In December 1941 the Japanese invasion of South East Asia cut off 90 per cent. of America's rubber supplies and a crash guayule programme was initiated. The first tyre made entirely from guayule rubber was produced in January 1942 and 3m. pounds of guayule rubber were produced during World War II. When the war was over, the war-funded synthetic rubber industry was well established and renewed supplies of natural rubber from Asia made guayule uncompetitive.

Mexico is now the only country with enough wild guayule to make uncultivated exploitation economically feasible. A pilot guayule rubber mill was started in March 1976 and tyres manufactured from the rubber produced are now being tested. By next year annual production is planned to reach 30,000 tons.

Guayule is a plant breeder's delight. Almost every plant is a separate strain. In native guayule bushes, rubber constitutes about 10 per cent. of the dry weight, but certain strains contain as much as 26 per cent. rubber. Because some types reproduce sexually through pollination and others reproduce without pollination, meaning that the offspring is genetically identical to its parent, it is possible to cross plants to produce hybrids with desirable characteristics—such as high rubber content and resistance to cold—and then have them replicate these characteristics generation after generation.

In the past, guayule was harvested, roots and all, by a tractor-drawn digger and baled for transport to an extraction mill. Cutting the bushes off about 2 inches above the ground may present advantages because the roots, which contain one-third of the plant's rubber, will sprout and grow into new bushes much faster than seedlings.

Modify

Extracting latex rubber from whole guayule plants is done by parboiling, milling, removal of resin and, optionally, a final purification step that takes advantage of modern developments in the synthetic rubber industry. This final step permits the manufacturer chemically to modify the rubber according to specifications.

Like hevea rubber, guayule rubber is a polymer of isoprene molecules in a lengthy chain. The nearly identical molecular geometry of the two rubbers means that they have the same genreal characteristics. The geometry of these chains is more uniform than in synthetic polyisoprenes—the synthetic rubber which most nearly resembles natural rubber—thereby giving the rubber far superior "hot tear strength," which is essential in radial and very large lorry tyres.

Industry pays a premium for synthetic polyisoprenes because they can be masticated—softened before manufacture—more easily than hevea rubber. Guayule rubber's ease of masticity lies between that of synthetic and hevea rubber. With respect to building tack (the measure of how well layers of raw rubber stick together before vulcanisation) guayule shares hevea rubber's advantage over synthetics.

Feed business still shrinking

BY CHRISTOPHER PARKES

PRODUCTION OF animal feed in the U.K. fell nearly 5 per cent. last year and further contraction this year is inevitable, Mr. Sydney Robinson, vice-chairman of the U.K. Agricultural Supply Trade Association, said last night.

There would be need for "further rationalisation" in the industry.

He told Scottish feed makers output last year totalled 10.8m. tonnes of compound feeds and concentrates, compared with 11.35m. tonnes in 1976. During the same period the index of compound feed prices fell by 4.8 per cent.

He stressed, however, 1976 was something of an odd-year-out. Feed production fell significantly in 1974 and 1975, reflecting the depression in the livestock industry. The surge in 1976 had nothing to do with any surge in confidence among farmers.

If there had been no drought to dry up pastures and force farmers to buy animal feed, sales would have fallen again.

"Recently published figures show that with the exception of sheep and lambs, livestock numbers continued to decline in 1977. This is less than good fo rour industry and compound production must inevitably contract further during 1978."

● The National Farmers' Union has asked for a further devaluation of the "green pound" to add to the 7½ per cent. recently agreed by the Common Market Council of Ministers.

In an assessment of the Commission's proposals for the price review this year, the NFU notes that when the devaluation was agreed in January it was expected that the change would reduce to 20 per cent. the monetary compensatory amount subsidies on U.K. food imports.

Now, it claims, because of exchange movements, the MCAs will be about 24½ per cent., and demands immediate action to reduce them to 20 per cent. Afterwards, the farmers say, the MCAs should be progressively eliminated over three years.

French moves boost U.K. sheep market

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

CONTRARY TO general expectations the raising of the French threshold price for mutton and lamb on March 6 and the consequent increase in the import duty has not caused a slump in market prices here. The reverse has been the case. Prices for standard and medium hoggets, the likeliest grades for export, have risen 10p a kilo in the last fortnight.

By contrast prices for heavy hoggets have shown a much smaller increase and are running at about 20p a kilo less than those of the lighter grades.

The French market has remained open to British supplies because the average price there has risen since March 6 from 201p a kilo to 221p this week. This has caused a reduction in the levy payable from 84p a kilo a fortnight ago to 76p this week. This has meant that exporters have been able to increase the price they pay British farmers for their supplies.

According to the Meat and Livestock Commission an exporter has been able theoretically to increase the amount he pays for the grade of sheep required from 126p a kilo to 147p in the past three weeks

NEW CATALYST DEVELOPED

SAN FRANCISCO, March 21.

STANDARD Oil of California said its Chevron Research Unit had developed a catalyst to make lead-free petrols at substantially lower costs.

The company said the catalyst is made of a rhenium-platinum substance which is claimed to have more stability than similar bi-metallic catalysts in commercial use. Reuter

Canadian wheat exports head for record

WINNIPEG, March 21.

CANADA could export a record amount of wheat in the 1977-78 crop year, surpassing the previous high of 578m. bushels in 1972-73, according to Mr. Esmond Jarvis, Canadian Wheat Board chief commissioner.

Wheat Board officials expect wheat exports this year to be between 550m. and 600m. bushels.

Up to the wek ended March 8, exports this crop year had reached 322.8m. bushels, ahead of last year's pace. In the entire 1976-77 crop year, exports totalled 494m. bushels.

Mr. Jarvis also estimated that the wheat stock carryover in Canada on July 31 might fall 100m. bushels from the 474m. at the start of the crop year.

Mr. Harold Bjarnason, the Board's senior economist said later that the Board probably would not allow the wheat carry-over to drop below 300m. bushels.

The rise in world wheat stocks is not expected to continue in the next few years, Mr. Bjarnason forecast.

He said a series of uninterrupted world bumper wheat crops to 1980 and beyond was unlikely. Reuter

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Easier on the London Metal Exchange with forward metal starting at £665 after the fall on Comex overnight. Although the price went to £667 it came off later to £661 on profit-taking before stabilising and advancing to a close on the late Kerb of £667 following a stronger Comex. Turnover 18,075 tonnes.

[illegible]

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £649, three months £663, 63.5, 64, 63, 64.5, 64, 63.5. Cathodes, cash £640.5, three months £655.5. Kerb: Wirebars, three months £665, 66, 67, 66.5, 66, 67, 66.5. Afternoon: Wirebars, three months £667, 7.5, 8, 7.5. Kerb: Wirebars, three months £667.5, 7.

TIN—Steadied after opening lower at £5,740 after a weaker market in the East overnight. Buying against U.S. steel mills inquiry helped to lift the market, although there was fairly heavy selling into the upward trend. After a rise to £5,790, the market moved narrowly and closed on the Kerb at that price. Turnover 1,350 tonnes.

Morning: Standard, cash £5,750, 75, 70, three months £5,740, 30, 35, 60, 65, 70, 80, 70, 65, 70, 80, 75, 70, 65. Kerb: Standard, three months £5,775, 80. Afternoon: [illegible]

[illegible]

LEAD—Little changed on balance after a low start when forward metal moved between £300 and £301, influenced by the trend in copper. Buying from one quarter helped to stabilise the market which moved up to £306.5 before slipping away in the afternoon to close on the Kerb at £302. Turnover 4,025 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	299.75-300	-9.25	301-2	-.75
3 months	303.5-4	-8.5	306-.5	-.75
Sett'l'm't	300	-10	—	...
U.S. Spot	..	..	33	...

Morning: Cash £299.5, three months £303, 04, 04.5, 04. Kerb: Three months £303, 03.5, 03. Afternoon: Cash £302, three months £306, 7, 6.5, 6. Kerb: Three months £303, 4, 3, 2.

ZINC—Higher over the day as forward metal was given a boost from early trading at £264-£267 to £273 on news of the Vieille Montagne production cutback. Lending of nearby metal from one source widened the contango and in the afternoon there was a slightly easier tone leading to a close on the Kerb of £271.5. Turnover 5,325 tonnes.

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

LONDON FUTURES (GAFTA)—The market opened 20-30 higher on old crops [illegible]

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) £96.00 (£97.00) a tonne cif for March-April shipment. White sugar daily price was fixed at £99.00 (£98.00).

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

JUTE

[illegible]

COTTON

[illegible]

Chilean: Anjou 7.40, Packham's 7.50. Plums—S. African: Golden King/Kelsey per pound 0.45. Grapes—S. African: Alphonse Lavellee 8.50, Waltham Cross 8.00; Chilean: Ribier 6.00, Thomson Seedless 3.50. Bananas—Jamaican: Per pound 0.15. Melons—Senegal: Yellow 3.80; Chilean: White 4.00, Green 5.00-7.00; Colombian: White 2.50; S. African: White 3.00. Strawberries—Israeli: 0.40; [illegible]

[illegible] Canary: 2.00-2.50; Romanian: 3.40-3.60.

English produce: Potatoes—Per 56 lbs Whites/Reds 1.60-1.80. Lettuce—Per 12's 1.40-1.50. Beetroot—Per 28 lbs 0.80-1.00. Sprouts—Per pound 0.08-0.09. Turnips—Per pound 0.60-0.80. Carrots—Per bag 0.60-0.80. Parsnips—Per 28 lbs 0.80-1.00. Onions—Per 56 lbs 1.00-1.20. Swedes—Per 28 lbs 0.40. Rhubarb—Per pound indoor 0.24, outdoor 0.18. Cucumbers—Per tray 12/24's 3.30-3.80. Mushrooms—Per pound 0.50-0.55. Apples—Per pound Bramley's 0.12-0.17, Cox's Orange Pippins 0.12-0.21, Laxtons 0.08-0.11. Pears—Per pound Conference 0.11-0.16. Tomatoes—Per pound English 0.60-0.65.

Billingsgate fish trade reduced

FROZEN FILLETS, lower catches and soaring prices have combined to slash the weight of fish handled annually at London's Billingsgate fish market by nearly 25,000 tons in the past ten years.

Part of the drop is due to the increased trade in frozen fish which is topped, tailed and gutted before it reaches Billingsgate. The finished article weighs about half the whole fish.

Despite the reduction of about 30 per cent. from 63,000 tonnes to 41,000 tonnes a year between 1968 and 1978, Billingsgate's share of the national fish trade has remained constant, the City of London Corporation's Billingsgate and Leadenhall markets committee was told at a recent meeting.

Indian tea exports slip

By Our Own Correspondent

CALCUTTA, March 21

INDIA'S TEA exports fell to 146.4m. kilos in the first eight months of the 1977-78 marketing same period of the previous year, same period of teh previous year, according to figures available from the Indian Tea Board.

The decline of 4m. kilos in shipments to the U.K. from 52m. kilos to 48m. between April and November accounts for most of the decrease in total shipments.

According to industry sources, the Government policy of restricting exports during the current year to a maximum of 225m. kilos compared with exports of 242m. kilos during 1976-77 is largely responsible for decreased shipments.

Reuter adds from New Delhi that India's tea production is expected to rise more than 2.5 per cent. a year, according to the sixth five-year plan, which starts next month.

The plan does not stipulate a target.

PRICE CHANGES

Prices per tonne unless otherwise stated.

[illegible]

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

[illegible]

GRIMSBY FISH—[illegible]

PALM OIL—[illegible]

U.S. Markets

Metals and cocoa fall: grains weak

NEW YORK, March 21.

PRECIOUS METALS collapsed on carry-over liquidation following rumours of U.S. gold sales. Copper closed lower on Commission House liquidation in sympathy with precious metals. Sugar eased on rumours denied by the trade that Argentina would sell large tonnages. Cocoa ended limit-down on trade arbitrage selling, Bache reports.

Cocoa—March 138.35 (144.00), May 148.60 (154.60), July 143.90, Sept. [illegible] Dec. 134.80, March 130.40, May [illegible] July 126.90 settlements. Sales: 732.

Coffee—"C" Contract: March [illegible] (176.18), May 157.75-152.00 [illegible] July 124.00, Sept. 129.00-130.06, [illegible] March 114.30-115.00, May [illegible] July 112.00 asked. Sales: 660 [illegible]

Copper—March 57.40 (59.30), April [illegible] May 58.10, July 59.20, Sept. [illegible] Dec. 61.70, Jan. 62.20, March 63.20, [illegible] July 65.20, Sept. 66.20, Dec. [illegible] Jan. 68.20 settlements. Sales: 8,000 [illegible]

Cotton—No. 2: May 58.43-58.55 [illegible] July 59.50-59.60 (60.70), Oct. 61.10-[illegible] Dec. 61.80, March 62.60, May [illegible] July 63.15-63.85. Sales: 383,000 bales.

*Gold—March 175.60 (181.40), [illegible] 176.60 (181.60), May 177.30, June [illegible] Aug. 181.10, Oct. 183.70, Dec. 186.30, [illegible] 188.90, April 191.80, June 194.60, 197.50, Oct. 200.50, Dec. 203.80, Feb. [illegible] Sales: 14,000 lots.

†Lard—Chicago loose 28.50 [illegible] New York prime steam 30.00 [illegible] (same).

‡Maize—March 244½ (249½), May [illegible] (233), July 259-[illegible], Sept. [illegible] Dec. [illegible] March [illegible]

§Platinum—April 212.00-212.40 [illegible] July 215.80 (225.00), Oct. 220.10 asked, Jan. 224.30, April 228.80 asked, July [illegible] asked. Sales: 3,831 lots.

‖Silver—March 517.00 (533.40), [illegible] (534.60), May [illegible] July [illegible] Sept. 537.30, Dec. [illegible] Jan. [illegible] March 561.60, May [illegible] July [illegible] Sept. 585.30, Dec. [illegible] Jan. [illegible] settlements. Sales: 12,000 lots. Handy and Harman spot bullion 524.70 (545.60).

Soyabeans—March 702½ (704½), May [illegible] 710 (712½), July 718-716¾, Aug. 710, [illegible] 651, Nov. 622-621, Jan. [illegible] March [illegible]

‖Soyabean Meal—March 190.50 (191.[illegible]) May 189.80-190.00 (190.20), July 191.[illegible] Aug. 191.00-[illegible] Sept. [illegible] Oct. 169.00-170.00, Dec. 171.00-170.60, [illegible]

[illegible]

FINANCIAL TIMES SURVEY

Wednesday March 22 1978

Multi-Bank Consortia

The number of consortium banks in London is diminishing while conditions in international banking markets have become tougher over recent months. New pressures on margins are creating a situation not unlike the late 1973-74 period.

Only room for experts

By Michael Blanden

CONDITIONS IN international banking markets have become increasingly difficult over the past few months, and the pressures have been clearly reflected in the results produced by a number of the London-based consortium banks specialising in this business. The high level of liquidity in the Eurocurrency markets has led to a renewed squeeze on margins which Mr. David Montagu, chairman of Orion Bank, has recently described as "reminiscent of the heady days of 1973-74."

The pressure on spreads is expected to continue for some time yet, and will provide a severe test of the determination of international bankers to resist being drawn by the competition into undertaking loans at rates which could become less profitable, as their costs are pushed up by inflation. At the same time, the sharp fall in the dollar in relation to the pound during the past year has reduced the size of profits when translated into sterling, while the drop in interest rates in the U.K. itself has cut into earnings on domestic assets.

The general decline in the dollar has also brought in the latter part of the past year a drop in the level of activity in the dollar section of the market, only partly compensated by increased activity in other sectors such as Deutsche marks and Swiss francs. In these circumstances, international banking and the consortium banks in particular have experienced probably the most trying conditions for three or four years.

The difficulties in the market have come at a time when the old debate about the long-term validity of the concept of consortium banking has again started to come under close examination. The idea of groups of banks coming together in this kind of joint venture grew up and developed in response to a real need. In many cases, a consortium bank based in the major international financial centre of London, was capable of carrying out kinds of business which its parents could not undertake.

For many of the big U.S. and European banks this approach offered a method of gaining experience and spreading risks in the relatively new international Eurocurrency and banking markets and often of bringing in expertise from established merchant banking operations. For smaller banks from a number of countries, joint operations provided access to these markets on a scale which they would not have been able to undertake on the basis of their own limited resources. And at the time when the idea was most fashionable, all no doubt saw the prospect of a useful and profitable investment.

Profits

Circumstances have changed, however. To begin with, in many cases the investment in consortium operations has not proved in the long run to be all that profitable. Many of the shareholding banks, moreover, have now clearly outgrown the need for somebody to hold their hand in building up international business; they have become capable of developing under their own steam the world-wide representation needed to support full participation in these activities.

This development has meant that shareholding banks have increasingly found themselves coming into direct competition with their offshoots for lending and other types of business. And this trend has been enhanced by the move among the consortium banks, under the pressures of the past few years, away from the initial emphasis on building up their medium-term loan books and towards a much greater reliance on developing specialised merchant banking and advisory services to provide them with a basis of fee income.

The general theme of recent events has been that big banks are asking themselves why they should share the profits of international banking with others when they are able to do the whole job on their own. The movement has been most obvious among the American banks. There has been a whole series of shake-outs among the shareholdings in consortium operations, with U.S. banks either dropping out or taking full control in order to develop the offshoot as a wholly-owned merchant banking subsidiary.

The most recent example of the latter kind of development has been Chemical Bank's decision to buy out the other shareholders in London Multinational Bank, now renamed as Chemical Bank International. The other shareholders were Credit Suisse, which has developed its own extensive international business, Baring Brothers and another U.S. bank, Northern Trust of Chicago.

Two U.S. banks also pulled out of Western American Bank (Europe), one of the older and larger groups, to leave control with Bank of Tokyo and National Bank of Detroit. Bank of America has been taking vigorous action to unwind its previous extensive involvements in joint operations in order to concentrate on building up its own subsidiaries. And other moves have included the takeover by two French shareholders of Brown Harriman and International Banks.

The ranks of the consortium banks in London have thus been noticeably thinned, and the signs are that it is not very likely that we shall see again the establishment of the old type of generalised joint operation. There will no doubt continue to be, however, development in some of the specialised areas—including the arrival of Arab investors—which have formed one of the main features of recent years.

Diversity

What these events have done is to underline the diversity rather than the similarities of consortium banks. Though they have shared generally similar market conditions, for example, the profit figures which have appeared for last year have shown little conformity. Orion managed a modest increase in its pre-tax profits from £9.7m. to £10.2m.

European Banking Company, in contrast, saw a drop from £3.2m. to £1.8m., as a result of the various pressures on the market. Some of the best figures have appeared among the specialised groups. Nordic Bank, with an element of recovery from the previous year's depressed results, pushed its pre-tax total from £910,000 to £2.2m. And Libra Bank, benefiting from the fact that spreads in the Latin American countries in which it specialises held up much better than elsewhere, reported a gain from £4.2m. to £5.1m.

The differences in the experience of these banks highlights the variety in the character of their business. The general definition of a consortium bank rests on the fact that they are owned by a number of other banks, none of which has a majority; generally speaking they were also set up chiefly to participate in the medium-term international lending market. But the banks which come under this heading may have very little in common with each other.

In the present list of names there are a few, notably Orion and European Banking, which have reached a size and status which enable them to stand on their own; the fact that they have large banking shareholders is irrelevant to their day-to-day business, and they much prefer to be regarded simply as international merchant banks and dislike the consortium label.

Others which have smaller shareholders may be able to provide a service which their shareholders could not undertake on their own. These may include some with a regional bias: Italian International, the two Scandinvian groups and the two London-based Japanese consortia were at least initially able to do business which their parents could not handle.

Another group includes those banks which have specialised either in a particular industrial sector, such as the International Energy Bank, or in a geographical area. The Scandinavians, again, concentrate much of their activity on that area, while there is a number of banks with special connections with Latin America—besides Libra, they include European Brazilian, Euro-Latinamerican and International Mexican.

Capital

Finally, there is a growing group of banks with Arab participants, such as Saudi International which enjoys the backing of the powerful Saudi Arabian Monetary Agency which has half of the capital. The signs clearly are that specialisation will be an important feature of the future development of consortium banking, with even those groups which started out as general medium-term lending operations finding it necessary to build up their own specialised areas of experience and skills. It will be surprising, nonetheless, if there are not more changes and shakeouts among the banks in the future.

EUROPEAN BANKING CLUBS

ABECOR (Associated Banks of Europe
- Algemene Bank Nederland (Netherlands)
- Banca Nazionale del Lavoro (Italy)
- Banque Bruxelles Lambert (Belgium)
- Banque Nationale de Paris (France)
- Barclays Bank (U.K.)
- Bayerische Hypotheken- und Wechsel-Bank (Germany)
- Dresdner Bank (Germany)
- Associated members:
- Banque Internationale à Luxembourg (Luxembourg)
- Österreichische Länderbank (Austria)

EUROPARTNERS
- Banco di Roma (Italy)
- Banco Hispano Americano (Spain)
- Commerzbank (Germany)
- Crédit Lyonnais (France)

EBIC (European Banks International Company)
- Amsterdam-Rotterdam Bank (Netherlands)
- Banca Commerciale Italiana (Italy)
- Creditanstalt-Bankverein (Austria)
- Deutsche Bank (Germany)
- Midland Bank (U.K.)
- Société Générale de Banque (Belgium)
- Société Générale (France).

INTER-ALPHA
- Banco Ambrosiano (Italy)
- Berliner Handels- und Frankfurter Bank (Germany)
- Crédit Commercial de France (France)
- Kredietbank (Belgium)
- Nederlandsche Middenstandsbank (Netherlands)
- Privatbanken (Denmark)
- Williams & Glyn's Bank (U.K.)

MULTI-BANK CONSORTIA II

U.K. expands overseas business

THE GROWING importance of international operations to the U.K. clearing banks has been heavily underlined by the recent round of profit figures for the past year. At home, the banks have suffered, particularly during the second half of the year, from a continued low level of loan demand coupled with low interest rates. None have found it easy to do much more than hold the level of their domestic branch banking profits compared with the previous year, though other U.K. activities such as their instalment credit and leasing subsidiaries gained from the drop in interest rates

The real jam, however, came from their international operations which were mainly responsible for results which were generally rather better than the stock market analysts had expected. Including both wholesale and retail business carried out abroad, and international activities in the U.K., this section of the banks' operations is acounting for a rapidly growing proportion of their total earnings and they are continuing to make determined efforts to expand their international business.

Attempt

The recent news that National Westminster Bank is thinking of buying a bank in the U.S., probably in New York, has provided a further indication of the trend. NatWest, which by and large tends to concentrate its international operations in the wholesale rather than the retail banking markets, is clearly looking at the growing competition for business as well as taking a view on the need for a base in the U.S. against the day when the rules there may be relaxed to permit wider operations within and between states.

It may also be indicative of a growing trend for the big U.K. banks to extend their direct participation in activities abroad. There have in the past few years been marked differences of approach between them with some, like Midland Bank, relying heavily on joint operations and relationships with other banks and others, particularly Lloyds Bank, deliberately eschewing any such involvements and concentrating on building up its own direct representation. Even those most committed to the co-operative concept, however, are showing signs of flexing their own muscles, with obvious implications for the future of the consortium relationships they have established and for other forms of wider co-operation.

A number of factors have contributed to the changes in the climate of consortium banking. One has been the growth and development of the consortia themselves, which have had particular importance for participants among the London merchant banking community. The expansion of the market meant that in a number of cases the consortium operation reached a size where it began to overshadow the smaller shareholders such as the merchant banks.

At the same time, the past three or four years — dating back to the difficulties of the Herstatt crisis in 1974 — have seen a growing tendency for the consortium banks to diversify from strightforward medium-term loan business into fee-earning advisory activities.

This has brought them increasingly into direct competition with the merchant banks and several banks which had come into consortium groups initially to provide expertise have been selling off their interests. Hambros was among the first when it sold out of Western American Bank (Europe)—now further transformed under Bank of Tokyo control—and Rothschild, Barings, Kleinwort Benson and Charterhouse Japhet have moved out of this type of operation.

For the big commercial banks in the U.K. and elsewhere, the same considerations do not apply. But they have for rather different reasons also been showing signs of moving away from the idea of co-operation in international business. The trend has been most obvious among the U.S. banks, many of which found advantages in having help from experienced partners when they first started to move on to the international scene in a big way but with growing experience and self-confidence are now reluctant to share the profits with other banks and increasingly inclined to concentrate on their own wholly-owned international merchant banking activities.

The British banks are in a rather different situation. They had, long before the U.S. banks moved extensively into the international field, a long experience of overseas banking, but predominantly in retail operations such as those of Barclays in South Africa or Bank of London and South America in Latin America. They lagged somewhat behind their U.S. rivals in developing into the major international markets but have in recent years built up extensive representation in the leading financial centres of the world.

The results of the changing patterns of international banking are perhaps most clearly seen in the development of the four big European banking clubs, Associated Banks of Europe (Abecor), European Banks International (Ebic), Inter-Alpha and Europartners. Three of the five London clearing banks are involved in these. Of the two others, Lloyds has avoided such relationships while National Westminster has taken a rather different line, with its main partnership in the multinational Orion banking group.

The European clubs have a character which is rather different from the normal one-off consortium grouping. They include joint operations of this kind; but they also incorporate a wider form of co-operation among their members at various levels and a marked ideological content. Their origins go back to the hopes of rapid development towards monetary and economic union within the European Community, and as well as providing the members with help in competing with the big U.S. banks they offered the possibility eventually of closer integration perhaps leading to cross-frontier mergers to create genuinely European banks.

Quite apart from the more general changes in the international banking climate, the clubs have therefore suffered a special setback as a result of the failure of the EEC to make any discernible progress towards monetary union. Their hopes of closer integration have faded, and though they continue to provide members with a platform for useful co-operation, the signs are that their impetus may be slackening.

Situation

For Williams and Glyn's Bank, which is the U.K. member of the Inter-Alpha group, the situation is perhaps rather different than for its substantially bigger U.K. rivals, since the relationship provides a vehicle for activities which it might not be able to manage on its own; though even in this case there are signs that the bank may want to develop more direct representation of its own.

Barclays, which is part of the Abecor grouping, is itself a major international bank. Though it has participated in a number of joint ventures such as, for example, the Société Financière Européenne — the Abecor group's main joint offshoot — and the International Energy Bank, it has always made it clear that its approach to international banking would be pragmatic. It has built on its existing extensive representation abroad to develop major operations in the U.S., for example, and has shown a general inclination to prefer direct involvement in its own name and under its own control.

Midland Bank, which is in Ebic, is perhaps the one which is most committed to the co-operative concept. Ebic itself is one of the earliest and most committed of the co-operative groups with members which, like Midland and Amsterdam-Rotterdam Bank, have tended in the past to be more reliant than most on correspondent relationships in providing an international service. Midland has until quite recently argued consistently that it should rely almost entirely on the Ebic connection for its international development.

These ideas have been reflected in the establishment of a wide range of joint operations in the U.S.—where the members own European American, a major foreign-owned bank—on the Continent, in the Far East and in London with the joint international merchant bank European Banking Company. There has been a general understanding, too, that the Ebic members should avoid trespassing on each other's territory. But this self-denial has been showing signs of cracking. Deutsche Bank opened up in its own name in London, and was followed by Amro; and the Midland is now thinking of opening up in Europe in its own name with the news recently, for example, of its plans for a subsidiary in Paris.

The pattern of co-operative development among the U.K. banks, therefore, appears to be in the process of a shake-up which may end with less reliance on joint operations and more direct involvement.

By Michael Blanden

U.S. policy changes

OF ALL THE international banks the Americans are probably the least enthusiastic members of the consortia banking community. Over the last year a number of well-known banks have disentangled themselves from consortia and a few more are undoubtedly looking for ways of pulling out without embarrassment.

This is slightly surprising given that the American banks, and in particular the smaller regional banks, were some of the earliest to sign on when the consortia banking idea took off towards the end of the 1960s. Banks such as Rothschild Intercontinental, Western American and London Multinational were among the first to be established and relied heavily on U.S. support. It is symptomatic of the changing U.S. attitudes towards consortia that less than ten years after they were established the above names have disappeared from the scene. Rothschild Intercontinental was the first to go. In 1975 its European and American shareholders decided to part company and luckily found a bank, American Express, that wanted to buy RIB, lock, stock and barrel.

In 1977 the pace accelerated. Brown Harriman and International Banks, whose shareholders had been changing places with the regularity of musical chairs since the bank was set up in 1968, had yet another reshuffle and two French banks, Credit Commercial de France and Banque Internationale pour l'Afrique Occidentale took control. Pittsburgh National Bank, First National Bank of Minneapolis and Brown Brothers Harriman along with a handful of other shareholders, including Britain's Prudential Assurance, decided to opt out. Shortly afterwards Chemical Bank announced that it was taking over London Multinational Bank with the full agreement of the other shareholders — Northern Trust, Baring Bros. and Credit Suisse.

In October, the shareholders of Western American, a bank with a chequered history, announced that two of them—Wells Fargo and Security Pacific—were pulling out and Bank of Tokyo and National Bank of Detroit were taking full control. Finally Merril Lynch, which had set up Merril Lynch Brown Shipley Bank in 1972 as a 50:50 venture, announced that it was renaming the bank Merril Lynch International and it had raised its stake to 95 per cent.

Altogether around a dozen U.S. banks have pulled out of London-based consortia over the past three years. There are a number of explanations for this exodus. Both the British and American authorities have been taking a closer look at the relationship between consortia banks and their shareholders, and the Bank of England in particular is keen that shareholders give a full commitment to stand right behind their London offspring in good times and bad. For American banks, who are more vulnerable to law suits from their own shareholders, this could present a problem at some future stage when their commitment to a London bank might conflict with their responsibilities to their own shareholders.

Some years ago when the United Bank of California ran into trouble with its Swiss affiliate, which had been speculating in cocoa futures, the Californian bank became embroiled in shareholder suits. In addition, the U.S. regulatory authorities have been adopting a far tougher attitude to U.S. bank's participations in consortia operations. Just over two

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Specialists on the increase

WHILE MANY bankers are becoming increasingly sceptical about the usefulness of a stake in a general purpose consortia bank, the concept of the specialised consortia bank is now firmly established. A glance through the accounts of virtually any major international bank will reveal that likely as not the bank will be a partowner of one of the 16, or so, specialised consortia banks based in London.

The growing importance of the specialised consortia manifests itself in a number of ways. While the group of so-called "general purpose" consortia banks is slowly declining as shareholders sell out, the number of specialised consortia is still increasing. Barclays Bank International has taken over the remains of Edward Bates and, along with a number of Arab investors, who own the majority of the shares, transformed it into the Allied Arab Bank. Bank of Montreal and Manufacturers Hanover Trust are just two other major banks which have both taken stakes in recently formed specialised consortia banks.

Although still small in terms of balance sheet size, some of the specialised consortia have already made a name for themselves in the cut-throat international loan syndication market. The combination of influential shareholders and a small but high-powered management team has given many of the banks a competitive edge and for some of them fee and commission income has become an important source of profits.

Indeed, judged solely in terms of profitability the specialised consortia banks have tended to do far better than the general "run-of-the-mill" consortia which were set up in the late 1960s as a way into the Eurocurrency markets. Using after-tax profits as a percentage of average assets as a crude measure of profitability some of the specialised consortia stand out as highly profitable concerns. Ranked in order of profitability, seven of the top ten consortia have a specialised brief and the top two in fact both have a Latin America bias (Eulabank and Libra). As the consortia banks' business increasingly overlaps with that of their parents the question of profitability will become more important. If a shareholder can provide the same service to customers as its consortia affiliate the need for maintaining ties with the affiliate diminish.

However, if the consortia can produce above average profits it can then justify its existence solely as a trade investment and can fairly ask to be left alone and go its own way. It is perhaps no coincidence that the consortia banks which have disappeared have generally had below average profitability.

At the moment there is a considerable range between the most profitable and the least profitable bank. At one extreme is Eulabank where the level of profitability is nearly double that of a shareholder such as Barclays. At the other extreme there is Italian International Bank which lost £8.8m. in its last financial year. Performances fluctuate widely from year to year. The absence of the fees from a few lucrative lead managerships means that a sparkling performance one year can be followed by an exceedingly dull one the next time round.

Return

Most consortia banks do not look particularly profitable at present when compared with their parents. The average after tax return on average assets for the established consortia banks is 0.48 per cent. By comparison Barclays, Citibank and Hill Samuel all earn around 0.65 per cent. on their assets and only seven out of the 26 consortia banks analysed can better that performance.

Admittedly, some of the banks have turned in poor performances recently because most of their assets and profits are denominated in depreciating dollars while their operating costs are calculated in appreciating pounds. In 1976 movements in exchange rates boosted their profits substantially, but this year it has depresesd them unnaturally. Nevertheless, it is still clear that the banks with a specialist brief have been finding it easier to produce good results.

However, the recent history of the specialist consortia banks has not been totally trouble-free. The concept first started to appear in the early part of the decade. Initially bankers tended to set up banks with a specialised set of shareholders drawn from one region. The idea was that if the shareholders clubbed together they could make an impact in a market where they had little experience and in some cases were not even allowed to operate. The original example was the United Bank of Kuwait — it was established in 1966 with the prime aim of channelling some of Kuwait's surplus oil revenues into the fast-growing Euromarkets. To some extent it is the forerunner of the Saudi International Bank which was set up in 1975 by the Saudi Arabian Monetary Agency and a group of international banks led by Morgan Guaranty.

Between 1969 and 1973 another six consortia banks backed by specialised groups of shareholders were formed. The Scandinavian banks, for example, were not allowed to operate directly in the Euromarkets in the 1960s so both Scandinavian Bank and Nordic Bank were set up originally as vehicles to give their shareholders access to the Euromarkets. About this time the Japanese City banks were starting to move into international wholesale banking and the Japanese authorities decided to herd most of them into consortia banks to gain experience. The Banque Europeenne de Tokyo had already been established in Paris a couple of years earlier as an experiment, and the Associated Japanese Bank and Japanese International Bank were set up in much the same fashion in London, the only difference being that the big Japanese securities houses were invited to participate. Shortly afterwards, a group of Italian banks set up Italian International Bank and finally a group of Continental co-operative banks headed by Deutsche Genossenschaftsbank, formed London and Continental Bankers.

While the initial rationale for these ventures made sense they were not always terribly successful. One or two, such as Italian International Bank, were badly managed, and wandered off into U.K. property lending with disastrous consequences. It also became clear that while a consortia bank offered economies of scale there were disadvantages to be had in establishing an international bank with the owners drawn from a single country. If that country found it difficult to borrow, as Italy and Japan did for a time in the early 1970s, then sure as not their consortia banks would find it even more difficult. Consequently, when the Euromarkets were closed to Japan and Italian borrowers, the consortia banks from these countries found themselves shunned. This period quickly passed but it demonstrated the inherent weakness of these types of banks. The other weakness is that the shareholders have grown big enough to do much of the business which they had initially delegated to their affiliate.

Participants

Scandinavian banks can now operate in the Euromarkets from a Luxembourg base while individual Japanese banks have become important participants in their own right in the Eurocurrency market. Some banks such as Scandinavian Bank have built up enough business of their own so that they are no longer reliant on shareholders' largesse and have a life of their own. But for some of the others there must be a question mark over their future unless their shareholders can find a good use for them.

The second type of specialist consortia bank that has emerged over the past few years is the one with a particular regional bias in its business brief. But here too, it is hard to generalise—banks such as UBAF and Saudi International Bank have a different mandate from banks such as Eurobraz and Libra. The former tend to draw their shareholders from highly liquid countries in the Middle East and seek to top Europe's expertise rather than its money. By contrast the Latin American consortia have been set up to tap the international credit markets on behalf of countries such as Brazil and Mexico which need to borrow substantial sums of money over the next decade.

So far they seem to have been relatively successful. Intermex is a good case in point. Mexico has ambitious development plans which cannot be financed internally, but the Banco Nacional de Mexico (Intermex's principal shareholder) could not hope to raise the money on its own in the international markets. For one thing it is not big enough and for another it is not experienced enough. However, by bringing in Union Bank of Switzerland, Dai-Ichi Kangyo, Deutsche Bank and Bank of America as minority shareholders it has tied itself into an enviable pool of financial muscle and expertise.

Inevitably there are dangers in a bank specialising to such a great extent. If Mexico ran into financial difficulties Intermex would be out of a job and the high margin loans that the Latin American consortia banks are taking on their books imply a higher degree of risks. Given the calibre of their shareholders there is little danger that such banks would ever go to the wall —the worst that could happen would be that they would go into mothballs and take on no more business.

At present the bulk of the specialised consortia banks seem to be doing fairly well. The spate of new bank openings has virtually come to a halt but that is not through lack of enthusiasm for the concept — rather, it is that most international banks are now in the consortia bank of their choice. So far only one consortia bank has been established in London with a specialist industrial brief — the International Energy Bank. As its name implies it was set up to finance the energy industry but as yet has found few imitators. This could be because of the big U.S. banks which specialise in this field, such as Chase, Citibank and Morgan Guaranty, have all built up specialist departments of their own — it is far easier to hire specialist staff than influential shareholders. The Germans and the Scandinavians have well established consortia banks specialising in shipping finance, in Vienna there are joint venture banks for financing East-West trade and in Antwerp there is even a bank which specilises in diamond financing. But as yet the concept of the specialised industrial consortia bank is still in its infancy.

William Hall

U.S. BANK REPRESENTATION IN LONDON

Bank	Size $bn.	Branch	Mrchnt. Bank	Consortia Bank Multi-purpose	Consortia Bank Specialist
[illegible]					
ank America	72.2	●	●		Intermex Eurobraz Iran Overseas
tibank	63.1	●	●		
hase	45.0	●	●	Orion	Libra
an. Hanover	30.4	●	●		Iran Overseas
P. Morgan	27.9	●	*		Saudi Int.
hemical	26.6	●	●		
ont. Illinois	21.8	●	●		
ankers Trust	21.1	●	●		
rst Chicago	19.7	●	†	Int. Comercl.	
estern Bancorp	19.7	●			
ec. Pacific	16.1	●			
ells Fargo	12.7	●	●		
arine Midland	10.6	●	●		
rocker	10.3	●		United Int.	
harter	10.0	●		Int. Comercl.	

* Stake in Morgan Grenfell. † Not fully authorised.
Source: The Banker.

U.S. policy

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ars ago the Federal Reserve ued a policy statement on banks' joint ventures road. The gist of the statement was that the Fed would e a much closer look in ure at U.S. banks' plans to ticipate in foreign consortia joint ventures. In conering applications to take a ke, the Fed now takes into ount the possibility that the nt venture might need addial financial support and that support could be larger n the bank's original equity estment. The applicant's ity to meet any additional nands put upon it in the form extra financial or managerial port also comes under scru. The Fed stated that its cy statement was "not inled to prohibit or disrage" new foreign joint tures. It wanted only to rify for all parties coned the magnitude of the s involved." But U.S. banks the message and many of m have been re-evaluating usefulness of their investts in consortia.

he case of Chemical Bank London Multinational Bank s an idea of the way U.S. kers are now thinking. Lon Multinational was a fairly essful and conservatively consortia bank but it had clear for some time that Chemical Bank and Credit se at least, it served little al purpose and if anything ented a bit of an obstacle Chemical Bank's desire to k into the international hant banking business.

th the exception of Morgan anty, which has a stake in lon's Morgan Grenfell, nical Bank was the only big money centre bank without own merchant banking arm t clearly felt at a disadvanBank of America, for exe, had bought out twort Benson's and Paribas' rity stake in its London hant bank and other U.S. s have been beefing up London merchant banking diaries. There were sugons that London Multinal would be merged with t Suisse White Weld, but he end Chemical Bank ed to take it over as a made merchant bank and self the bother of startrom scratch. For Merril the reasoning was much ame. It wanted to control don bank which would be ea vehicle for harnessing ternational banking ambiand so bought out all but cent. of Brown Shipley's stake.

In the case of Wells Fargo, which decided to pull out of Western American, it already had a London merchant bank but it wanted to widen its spread of activities by opening a full London branch. When Western American ran into difficulties in the early 1970s, Wells Fargo had to take over some of its loan porfolio which adversely affected its own performance and although Western American is now in a much more profitable phase, Wells Fargo obviously preferred to operate independently. In future, if it makes a mistake, there will be no one to blame but itself.

Nowadays there is little commercial sense for a big U.S. bank owning a slice of a "run-of-the-mill" consortia bank. A year ago seven of the fifteen largest U.S. banks—all of which have assets of over $10bn.—had stakes in medium-term Eurocurrency consortia banks. With the disappearance of Western American and London Multinational the number has dropped to four. Chase has a stake in Orion, First Chicago and Irving Trust own part of International Commercial Bank and California's Crocker Bank owns 10 per cent. of United International Bank.

While there is no real reason why such banks should pull out of the consortia as long as they are getting a reasonable return on their investment, and there is no conflict of interest, it seems reasonably clear that if they were given the choice to participate to-morrow on a similar sort of consortium bank they would probably not bother.

The consortia banking concept is being treated very much as an experiment by the U.S. banks. The first generation of medium term Eurocurrency consortia have outlived their usefulness for the big money centre banks —which have successfully developed their own in-house ability to syndicate and participate in the Eurocurrency markets. For some of the smaller U.S. banks, this type of consortia bank obviously still has a role to play but for the bigger banks the real interest lies in the specialised consortia bank. Bank of America, Morgan Guaranty, Manufacturers Hanover, to name but a few, have stakes in a wide assortment of regional consortia banks. The parents can provide the financial muscle while the consortia banks can provide the specialist expertise.

William Hall

MULTI-BANK CONSORTIA IV

Soaking up the oil surplus

ONE OF THE important sources of the funds flowing to consortium banks, and of course other international banks, has been the "petromoney" surplus of the oil producing *nations which continues to run* at well over $30bn. (£10.7bn.) a year and is expected to go on doing so.

Some of the oil cash finds its way into the big general consortium banks, such as Orion Bank. *But a considerable amount* more goes into the more specialist multi-national banks, such as Saudi International Bank and UBAF, which have particular links with the Arab world. It is notable that these *Middle East*-orientated consortium banks have tended to show more durability of shape and structure, and more growth than has sometimes been the case in recent years elsewhere in the multi-bank field.

While some international consortium banks have radically changed their character, with one or more participant taking over control by buying out its partners — as with London Multinational Bank and Bank of Tokyo and Detroit (International), *formerly* Western American Bank — the Middle East-linked operations have found a formula which has generally proved more lasting.

Often a larger or smaller group of banks and sometimes *other parties based in, or con*nected with, the OPEC area have set up in the West, frequently in London, in partnership with leading Western banking interests. The latter help to supply expertise and *vital ties with the established* banking system receiving access, in turn, to expanding business linked with the growing wealth of the oil states.

Recently, with the increasing Middle East experience of the complexities of international banking, there have been signs of a growth in banking concerns of mixed *ownership*, but with a much more dominant Middle East shareholding than was customary earlier. One example is the fast-expanding Bank of Credit and Commerce International, which is rather untypical in having extensive retail branches in the U.K. It is largely owned from the Gulf, though Bank of America has a stake, already reduced from *30 per cent. to 24 per cent. and* which is likely to be cut back over time as BA builds up independently in the Middle East. Another example is International Resources and Finance Bank, set up last year with a *string of Middle East* shareholders, but also with a 30 per cent. *holding by Bank of Mon*treal and 10 per cent. in the hands of an Egyptian Bank, Arab African Bank.

The pattern of investment of petromoney does not, however, remain constant and a steady growth in the variety of outlets for oil funds has in some instances diminished the flow of Middle East cash placed as deposits with consortium and other banks in recent months. *A growing taste for direct in*vestment of oil surplus cash in private placements of securities by institutions or large companies has absorbed increasing amounts of the oil money while there have also been signs of *some direct lending arrange*ments between big Middle East sources and Governments of advanced countries in Europe and elsewhere.

The effect of all this, coupled with certain borrowings raised from the OPEC area, particularly Venezuela, has been some*what to slow down the flow of* petromoney into bank deposits with the Western-based banking system as a whole. The Bank of England, in its Quarterly Bulletin issued this month, noted that in the last quarter of 1977 "the oil-exporting countries increased their deposits by less than $½bn. while drawing new credit of $2¼bn.; they were therefore net borrowers for the first time since 1973."

The weakness of the dollar over the last year has been a much-discussed phenomenon and it has been accompanied by a certain modest redeployment of *OPEC* deposits. But though this has led to some rise in the *amount held by the oil countries* in sterling in Britain, after a long fall, the trend has made little difference to the OPEC area's essential policy of holding the biggest share of its investments in dollar form.

Much as the OPEC states would like the price of oil raised in dollar terms to sustain the true value of their petroleum income, all the indications are that their revenue will continue to be paid essentially in dollars —and that much of it will be *invested in the same currency.* The danger of hitting the dollar by *extensive switches so that* the remaining large holdings of the U.S. currency fall further in value is a potent deterrent for the Arab leaders.

The size of the oil states' total surplus for investment remains large, according to all calculations. Morgan Guaranty Trust, which conducts regular surveys on the subject, estimated in the November, 1977, issue of its "World Financial Markets" that OPEC oil surpluses would add up to $35bn. in 1977 (compared with $30bn. in 1976). The surplus was forecast to rise to $37bn. in 1978, which would bring net external assets of the OPEC countries to the truly formidable total of $178bn.

The Bank of England's latest Quarterly Bulletin put the OPEC *surpluses in 1977* at $33bn. The Bank estimates the total placed in foreign currency deposits in Britain (essentially via the Eurocurrency market) at $3.4bn. in *1977*, compared with a larger $5.6bn. in the pre*ceding year, though it identifies* a net outflow of $500m. in the final quarter of 1977, which is presumably associated with larger borrowings by some OPEC countries. OPEC deposits in sterling in Britain in 1977 *recovered to an inflow* worth $300m., against a $1.4bn. outflow in 1976. Meanwhile, a new bank deposits placed by OPEC sources in countries other than the U.S. and Britain rose to $8.5bn. in 1977, compared with $7bn. in *1976*.

Investment

The extent to which petromoney is now being invested in private placings, as distinct from going into bank deposits, is highlighted in the recent *1977* report and accounts of Saudi International Bank. In *his statement, as executive* director, Mr. Edgar Fenton noted that "the investment of excess funds by the Arabian Gulf countries, particularly Saudi Arabia, through the medium of private placements, is increasing rapidly. We were involved in the arrangement of several private placements in 1977 and anticipate a further *increase in this activity in* 1978."

Saudi International Bank, set up in London in 1976, is typical of the increasingly important type of Middle East-linked consortium operation. Half its capital, which was doubled to £25m. in 1977, is held by Saudi Arabia's central bank, the Saudi Arabian Monetary Authority, and another 5 per cent. by two Saudi banks. But there is also *a major 20 per cent. holding by* Morgan Guaranty Trust and *smaller stakes of 5 per cent.* by five leading Western banks, the National Westminster, Banque Nationale de Paris, Deutsche Bank, Union Bank of Switzerland and the Bank of Tokyo.

By the end of 1977, its first complete financial year of operation, the bank had total assets of £416m., against £228m. a year earlier. A fifth of its £381m. of deposits are denominated in Saudi riyals; some of these relate to advance payments which companies with contracts in Saudi Arabia have received and may spend there, while others represent money deposited as performance bonds.

While a major part of SIB's total deposits clearly derive from Arab sources, these—including institutions, pan-Arab bodies, companies and individuals—are obtained on normal competitive terms.

UBAF Bank, the U.K. bank closely linked with the Paris-based Union de Banques Arabes et Françaises (which in turn has a long list of Arab shareholders) is another concern which receives a considerable part of its deposits from Arab sources. Some two years ago, the *proportion of such* funds in the UBAF group was put at around 50 per cent. The British UBAF bank, which last week reported that its total assets rose in 1977 to £431m. from £373m., while it earned net *profits of £1.36m.*, against 1.04m., is half owned by UBAF of Paris. Stakes of 25 per cent. each in it are held by the Midland Bank and Libyan Arab Foreign Bank.

Following problems which eventually brought substantial support, the former Edward Bates concern was last year completely revamped under new ownership and has emerged as Allied Arab Bank, in which Barclays Bank International *holds* a 20 per cent. interest. There are substantial Arab shareholdings, notably through Al-Mubarakah Finance Holding (representing a number of individual Arab businessmen) while Al-Tajir Bank, of the *Cayman Islands*, controlled by Mohamed Mahdi Al Tajir, the United Arab Emirates' Ambassador to Britain, has a further sizeable stake. There is also a Nigerian interest. The bank's objective is to conduct an international commercial banking business as well as carrying out *portfolio management and par*ticipating in the arrangement of international syndicated loans.

Among other international consortium concerns with a strong Middle East flavour are European Arab Bank, which last year set up a branch in London and which has a wide range of Arab shareholders as well as participation by big Western banks including Société Générale, the Midland Bank and Crédit Suisse. Another to set up in Britain in 1977 with a *representative office*, is Al Saudi Banque, whose shareholders again include a number of private Arab interests as well as major Western banks such as Manufacturers Hanover International and Banque de L'Union Européene.

Another large Paris-based consortium bank is Banque Arabe et Internationale d'Invesstisement, half of whose capital is owned by shareholders in the Middle East (Kuwait, Libya and elsewhere) and half by major Western banks, including *Barclays Bank International*, Banque Nationale de Paris, Dresdner Bank and Bank of America. In January it was announced that the BAII group was taking a stake in the London merchant bank Hill Samuel, in which the U.S. concern, First City Bancorporation, is also investing.

Margaret Reid

Herstatt and after

REVERBERATIONS from the crash of Bank Herstatt can still be heard, and nowhere more notably than among the consortium banks. *Indeed some* of the effects of the crash on *the structure of the consortium* banks' business now look as though they have become permanent

When the German bank I. D. Herstatt was closed in mid-1974, the result was a collapse of confidence among international depositors. This provoked a shift of dollar deposits towards the world's largest dollar-based banks: the big U.S. banks. A wide range of non-dollar-based *banks were affected to some* extent, but those most affected *were the small banks and the* consortium banks.

Depositors

The reason why the consortium banks were among the worst affected was that depositors did not know who, if anyone, would pick up the tab if these banks got into difficulties. *No single shareholder had* majority control or could be viewed as responsible while there was no clear lender of last resort: the majority of the consortium banks did most of their business in dollars but were not incorporated in *the* U.S. In practice, what happened in the few cases where banks were threatened with default was that shareholders jointly took action and this system was formalised into principle as a result of the Bank of England's request that shareholding banks should effectively guarantee the consortium banks *pro rata to the size of their* shareholding.

Since then, the *fear of default* among these banks has receded. *However, the banks have not* recaptured their former position in the Eurocurrency markets.

The reasons for this have been set out in other articles in this survey. The story of the consortium banks' decline and partial recovery can best be read in the Bank of England's quarterly analysis of the Eurocurrency business of consortium banks *incorporated in the U.K.* No comparable statistical analysis is available for consortium banks elsewhere, but the bulk of them are in London and the Bank of England's statistics should not, therefore, be too misleading for the sector as a whole.

As can be seen from the table, there was a sharp fall in *the London consortium banks'* deposits after the Herstatt crisis. From a peak of $12½bn. just before Herstatt broke, their deposits fell to a low point of about $9½bn. early in 1976. It took these banks nearly three years to regain their pre-Herstatt size—deposits rose above $12½bn. only a year ago.

Before Herstatt, the consortium banks accounted for about 8 per cent. of the London banks' Eurocurrency business. By early 1976, this had fallen to about 5½ per cent. and on the

CONTINUED ON NEXT PAGE

THE CONSORTIA BANKS SINCE HERSTATT*

	May 1974	Nov. 1974	Nov. 1975	Nov. 1976	Nov. 1977	All U.K. banks Nov. 1977
Total deposits $bn.	12.4	10.3	9.8	11.7	13.8	225.4
Medium term loans $bn.	4.5	4.7	4.5	5.1	5.7	52.3
Medium term loans: % of total loans	35.0	45.6	44.4	42.2	41.3	23.3
Deposit cover for medium term loans†	14.7	11.1	5.7	6.5	6.6	26.9

* The Eurocurrency *business of London based consortium banks.*
† Medium term deposits as a percentage of medium term loans.

Source: Bank of England Quarterly Bulletin.

These people are attending the signing of the $1bn loan for Nigeria in the Fishmonger's Hall, City of London, on January 16 this year.

The complex tax question

)ME TIME in May a very ıportant tax case will come fore the General Tax Commis-)ners for the City of London)ose outcome is of great ıportance to the consortium nks. The case involves the)ndon subsidiary of the Marine idland Bank of New York, it- lf not a consortium bank, and is appealing against an Inland 'venue tax assessment of .25m. The assessment con- rns tax the Revenue is seek- g in the notional profits ising from an increase in the erling value of foreign invest- ents during recent years when e pound has fallen sharply — thout allowing any relief for e corresponding notional loss ising on the translation of 'eign currency borrowings o sterling.

Several consortium banks ve similar problems to those Marine Midland. They have en operating in London partly 'ough the use of so-called)ordinated foreign currency— ıally dollar loans provided by ir main shareholders. The ıks then lent this dollar ney out in the same cur- cy—thereby ensuring that atever happened to sterling ir borrowings and invest- nts were matched. Unfortu- ely the same is not the case en it comes to tax.

'here is a basic principle in tish tax law and practice ch says capital and revenue ns are treated differently: l in computing taxable fits, that is revenue, the stion whether a loss on hange arising on a foreign rency loan is an allowable uction is determined by the ıre of the loan and whether ; to be properly regarded as d or circulating capital. If ; fixed capital, the loss cannot be taken into account in calculating taxable profits, otherwise it can.

So in relation to money obtained on loan, whether or not in foreign currency, the distinction is essentially between loans providing temporary financial assistance and loans which, in effect, add to the capital base of the business. But, as an Inland Revenue discussion paper issued in October 1976 explained, though the principle is clear, the answer in any particular case turns on its own facts and in practice the borderline is often difficult to draw. "Some of the characteristics of borrowing on circulating capital account can be discerned from decided tax cases — loans for short and indefinite periods, loans taken as occasion requires and repaid as opportunity permits, interest calculated on a day to day basis. The use to which the money is put is a factor to be taken into consideration but it is not necessarily conclusive.

Transaction

"As a general rule, money borrowed only to finance a particular trading transaction such as the purchase of stock is unlikely to feature permanently in the capital structure of a business; by contrast, money borrowed on the security of, or to finance the purchase of, fixed capital assets is likely to have a fixed capital flavour. These principles apply to traders generally, whether to the bank which borrows foreign currency to finance its business operations in foreign currency or to the manufacturer who does the same."

In addition, under the existing British tax code Capital Gains Tax does not apply to exchange profits or losses arising on currency borrowings (which are regarded as on capital account) because the gains tax is disigned to apply to assets, not liabilities.

All borrowers of foreign currency are affected by these rules—consortium banks, merchant banks, North Sea oil companies, and ordinary manufacturing businesses. The pressure for a change in the tax position built up in the latter part of 1975 and during the run-up to the 1976 budget. Recognising that there was a problem, the Chancellor announced in his budget statement that the Inland Revenue would be examining the area in consultation with those most affected to see whether "some acceptable scheme for the extension of tax relief could be devised." The outcome was the discussion paper referred to earlier—one of the first ever to be published by the British tax authorities.

Unfortunately, a year later, in last year's budget statement Mr. Healey had this to say: "The arguments for general relief for exchange losses are finely balanced. There are major areas where the balance of argument would be against relief; in these areas there are real problems in distinguishing between different cases and in drawing lines between them. Moreover, although the recovery of sterling has reduced potential losses, the sums at stake are considerable. I have had to conclude that since this year there is an urgent need to concentrate on income tax reliefs, I cannot at the same time propose relief for exchange losses."

The scale of the tax which would be involved if there was to be any general and retrospective relief for exchange losses was later estimated in a parliamentary answer at £1½bn. Although it is not suggested that all this would arise in one year the amount equals the whole of the tax cuts — immediate and conditional — which Mr. Healey proposed in the same budget. Nothing like this amount of tax relates to the banking sector as a whole. Where does the big difference come from? The answer is not entirely clear but some tax accountants are suggesting the North Sea area is the place to look at.

What the Inland Revenue has done is to access the consortium banks on the appreciation, in sterling terms, of the value of their foreign currency circulating assets while ignoring—refusing to give counterbalancing relief in respect of—the equivalent loss the banks have suffered on their subordinated (fixed capital?) loans. But all the banks concerned seem to have had no difficulty getting Counsel opinions that they do not have to pay over the disputed tax. In the case of Marine Midland the opinion came from that distinguished member of the tax bar, Mr. Heyworth Talbot.

Liabilities

On the basis of these opinions the banks affected have not even bothered to set up the disputed liabilities in their accounts, and such blue-blood auditors as Price Waterhouse, Whinney Murray, Arthur Andersen and Thomson McLintock have not considered the risk sufficiently great to qualify their reports. What the banks have been doing, however, is to include fairly standardised statements about the problem in their accounts, some quantifying the amount of the disputed liability, others not. This note, taken from the 1976 accounts of UBAF Bank is typical:

"The Inland Revenue are contending that the increase over the year in the sterling equivalent on translation of the foreign currency assets financed by foreign currency subordinated loans is liable to be assessed to tax and that no relief should be given for the corresponding increase in the sterling equivalent on translation of the liability in respect of the foreign currency subordinated loans. This contention will be strongly resisted and accordingly it has not been considered necessary to include any amount in the taxation charge for the year in respect of any such tax liability. If the Inland Revenue were to succeed in establishing that such a tax liability existed, the additional tax payable for the year ended December 31, 1976 would be approximately £570,000 (1975—£400,000), giving a total liability of approximately £970,000 to date."

So there the matter rests. Marine Midland has been offered financial assistance by other banks to fight the case as far as the Lords, if necessary, but has refused. Everything depends on what happens at the General Commissioners in May. It is to be hoped that Marine Midland will not be reticent about sharing the decision, which is of course given in secret, with the rest of the banking and business community.

Michael Lafferty

Herstatt

CONTINUED FROM PREVIOUS PAGE

ember 1977 figures, had re- red only to just over 6 per .

their specialist area of ıum term lending the .s' share of business has n from 18 per cent. before .tatt to 11 per cent. now. ıs despite the fact that ıum term lending has be- ; more important to them it used to be: from 35 per of total loans in May 1974. um term loans reached a of 46 per cent. in Novem- 1974. Even now, medium lending accounts for over er cent. of their lending ıess.

e effect of the Herstatt ; on the maturity structure e banks' balance sheets was to come through but has the most permanent of all: ıs summarised in the m line of the table which s the extent to which the ortium banks attract depo- of over one year's maturity ver their loans of over one s maturity. As the table s. this ratio is very much : than it used to be, and by comparison with the banks as a while.

ıat the table does not show ıat the fall in this ratio 'red entirely as a result of ecline in medium term sits not a rise in medium loans. It took some time hese longer term deposits to run off, but once gone they have, for whatever reason, continued to be replaced by shorter term deposits. In May 1974, the consortium banks had about $640m. worth of medium term deposits on their books; by November 1975, this figure had fallen to $255m. As the table shows, medium term loans remained at almost the same level.

Position

The figures in the bottom line of the table are for deposits and loans which mature at any time after one year. If one looks at the position on the really long term business—deposits and loans which mature after three years—the change is even more striking. In May 1974, over 14 per cent. of loans maturing three years or more later were covered by deposits which fell into the same category: by November 1974 this ratio had fallen to 11 per cent. and it reached a low point of 1.6 per cent. in late 1976 and early last year. Last November the ratio stood at just over 3 per cent.

A corollary of this extreme mismatching of the maturities at the long end of their business is mismatching the other way, at the short end. In May 1974 the consortium banks had enough short term assets to enable them if necessary to repay all their very short-term depositors in the event of a run on deposits. A similar run taking place now would find them in the position of being unable to repay 25 per cent. of their short term deposits unless they could attract new deposits to replace the ones being withdrawn. (These ratios assume certificates of deposit to be immediately realisable assets.)

What all this means is that the consortium banks are borrowing short and lending long to a degree probably unheard of in the history of banking. That this is not necessarily imprudent is due to the fact that they are effectively guaranteed by their parent banks. What it does mean, however, is that in the event of another money market crisis similar to that associated with Herstatt, banks with stakes in consortium banks may have to move in on a much larger scale than in 1974.

This increased risk. The degree of mismatching itself also raises questions about the profitability of the consortium banks. Given the guarantee, they have an advantage of flexibility in funding their loans which is not open to many banks, and which should enable them to make a higher than average return on assets.

Mary Campbell

STOCK EXCHANGE REPORT

Equity markets make useful progress on small buying

Share index improves 7.7 to 466.3—Golds unsettled again

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar. 13	Mar. 30	Mar. 31	Apr. 11
Apr. 3	Apr. 13	Apr. 14	Apr. 25
Apr. 17	Apr. 27	Apr. 28	May 10

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The underlying firmness of equity stock markets, which had been apparent on Monday but was unable to emerge clearly because of the paucity of business, came to the fore yesterday when a small demand for leading issues was only satisfied at enhanced prices.

The distinct turn for the better was attributed to Budget optimism, while the lower pound drew attention to companies with large overseas interests which should benefit from a lower exchange rate and a sympathetic response was also felt in the wake of the continued recovery on Wall Street. Earlier gains in the leaders were extended by a few pence or so in the late dealings, the further improvement being helped by a favourable market interpretation of the Government's White Paper on the future use of revenues from North Sea oil and news of the cease-fire in the Middle East. Up 5.4 at 3 p.m., the FT 30-share index further improved to close at the day's best with a rise of 7.7 at 466.3.

Secondary issues were not completely overlooked, but the overall advance took place against a continuing low level of activity, the small increase in markings to 5,273 mainly reflecting an increased business in bed and breakfast deals. Good features emerged in response to trading statements, while Stores were a *particularly good sector on hopes* of a fillip from any possible tax cuts in next month's Budget. The FT-Actuaries index for the sector rose 2.3 per cent. to 182.36.

Gold shares remained unsettled, still on fears of U.S. Treasury bullion sales, but reflecting investment currency premium influences final quotations were no worse than mixed. The Gold Mines index eased 0.6 more to 141.3.

Funds still quiet

British Funds proved to be susceptible and small gains, which had been achieved gradually during the official dealings, were surrendered on first sight of the Government's plans for North Sea oil revenue. A more detailed assessment of the White Paper, however, tended to lessen worries of its expansionary aspect and late in the evening a harder tendency was developing again. Business overall remained thin but the lower interest rate on this week's batch of Local Authority yearling bonds encouraged a light buying interest which had raised selected high-coupon longs by ⅛. Shorter maturities moved narrowly throughout and regained marginal losses of 1/16 in the after-hours' trading. Corporations turned reactionary and a similar pattern was traced by Southern Rhodesian bonds, which lost two points in places: the 2½ per cent. 1965-70 issue *closed that much* down at £58.

Opening conditions in the investment currency market were volatile, owing mainly to book-squaring and other technical operations, but the rate gradually settled and a good two-way business ensued. After having risen to 98⅞ per cent. in the early trade, the premium closed with a fresh net gain of 1¾ points at 98¼ per cent. Yesterday's SE conversion factor was 0.6899 (0.7007). *Among Foreign Bonds, Hungarian* 7½ per cent. 1924 Assented rose 7 points to £52 on a small demand in the absence of sellers.

HK & Shanghai up again

Still reflecting its proposed move to acquire a major stake in Marine Midland, the 12th largest U.S. commercial bank, Hong Kong and Shanghai rose 8 more to 285p. Other foreign issues made progress helped by investment currency influences. Deutsche gained 2½ points to £113½ and Algemene put on 1½ points to £119. Compagnie Bancaire, again mirrowing the strength of the Paris bourse, closed 3 points higher at £56. Home Banks attracted a bigger interest and closed firmer for choice. Barclays put on 3 to 340p and Bank of Scotland 6 to 281p. Hire Purchases moved higher. Gains of 3 and 4 respectively were seen in Wagon Finance, 97p, and UDT, 41p.

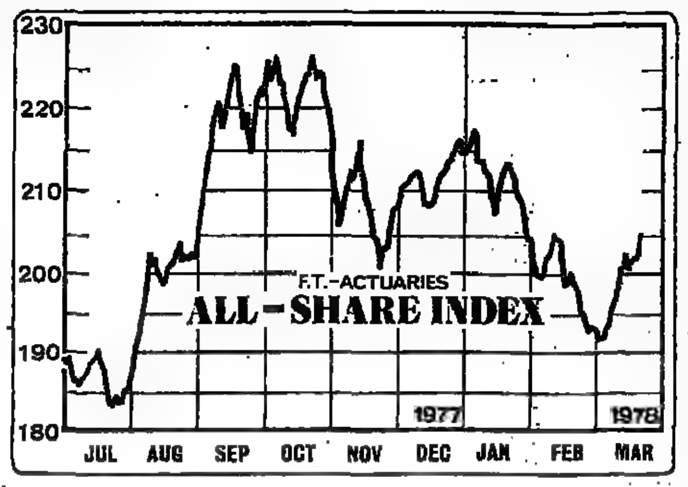
Insurances improved with the general trend. Sun Alliance rose 10 to 530p and Guardian Royal Exchange gained 6 to 230p, while Commercial Union added 4 at 155p. Among Brokers, C. T. Bowring improved 4 to 120p in front of to-day's preliminary results, but C. E. Heath declined 5 to 265p on adverse comment.

Breweries closed at the best. Whitbread A hardened 2 to 87p following Press comment, while gains of a similar nature were *seen in Allied, 91p, and Scottish* and Newcastle, 66p. Bass Charrington were supported at 158p, up 3. Distilleries also made progress Distillers, 177p, and A. Bell, 230p, put on 3 and 4 respectively, while the higher earnings lifted Tomatin 2 to 100p. In a thin market, Macallan Glenlivet rose 25 to 300p.

Contracting and Construction issues made a firm showing following the Department of the Environment's report of a modest upturn of new orders for the industry. Richard Costain, 258p, and Taylor Woodrow, 370p, improved 8 and 10 respectively, while John Laing A added 3½ to 132½p, and Marchwiel 4 to 258p. Press mention lifted Wiggins Construction 3 to a new 1977-78 peak of 27p and J. Smart firmed a penny more to 46p for a similar reason. Crouch Group rose 3 to 71p on news that Teape White Propertyl had acquired a stake in the company.

In Chemicals, ICI improved 9 to 358p, and Albright and Wilson closed 6 up at 120p, after 121p.

Leading Stores made progress on hopes that any tax concessions



made by the Chancellor in next month's Budget will lead to an increase in consumer spending. House of Fraser rose 7 to 142p and Gussies A were 6 higher at 288p, while Marks and Spencer and British Home both closed 4 better at 150p and 180 respectively. Debenhams added 3 at 104p as did W. H. Smith A to 153p. Elsewhere, mail-order concerns gained ground with improvements of 4 seen in Empire, 143p, Freemans, 268p and Grattan, 127p. Wallis attracted support at 58p, up 6, and James Walker revived with a gain of 3 at 83p. Among firm Shoes, W. and E. Turner put on 5 to 34p in response to the increased dividend and higher profits.

United Scientific figured prominently in Electricals, jumping *13 to 200p in a thin market on* vague talk of an imminent broker's circular. H. Wigfall, at 217p, recouped 4 of the previous day's fall of 20 which followed Press comment on the bid situation: the Comet Radiovision offer is due to close to-day. Pressac hardened 2 further to 82p on further consideration of the interim report. Among the leaders, Plessey finished 3 up at 101p, while gains of 4 were seen in GEC, 250p, and Thorn Electrical, 352p.

Tubes, 8 higher at 378p in front of to-day's annual results, stood out among firm Engineering leaders. Hawker ended 6 better at 196p and John Brown were 4 to the good at 280p. GKN also put on 4 to 282p despite publicity given to a broker's adverse circular. Elsewhere, buying in front of to-day's preliminary figures helped Molins gain 6 to 110p and Matthew Hall were raised 3 to *177p on details of latest contract* award. Garton added 4 to 87p in response to higher annual earnings and Amalgamated Power, at 117p, edged forward a penny on newspaper mention. C and Walker added 8 at 117p and Martonair firmed 4 to 140p. Jenks and Cattell closed a fraction harder at 63p with the new 10 per cent. Preference, issued by way of rights to Ordinary shareholders, finishing at 103p.

William Morrison highlighted Foods, *jumping 19½ to 208p on* news of the sharply increased earnings and capital proposals. Other Food Retailers moved higher in sympathy. Kwik Save Discount rose 3½ to 78p, while Hillards finished 8 better at 105p and Associated Dairies 10 higher at 238p. J. Sainsbury improved 4 to 167p. Elsewhere, Rowntree Mackintosh responded to Press comment with a rise of 10 to 390p, while revived speculative interest lifted Robertson Foods 6 to 137p. *Bluebird Confectionery, however,* eased 3 to 133p on further consideration of the interim statement.

Grand Metropolitan continued firmly in Hotels and Caterers following Press comment and rose 3 to 107p. Ladbroke moved up 5 to 184p.

Misc. leaders firm

Although the volume of business again left much to be desired, miscellaneous Industrial leaders scored useful gains. Late publication of the Government's White Paper on North Sea oil revenue prompted a late mark-up which helped prices close at the best of the day. Unilever led the advance with a rise of 12 to 496p, while Beecham ended with an improvement of 11 at 633p. Glaxo put on 8 to 533p and Rank Organisation were 6 to the good at 254p. Following the annual report, Turner and Newall closed 5 dearer at 187p. Similar rises were seen *in Pilkington Bros., 470p, and* Reckitt and Colman, 412p. Reed International failed to hold the day's peak, closing 3 better at 114p; after 115p. Elsewhere, following the abortive bid talks, dealings were resumed in Thomas Marshall Loxley A, which closed at 40p, after 43p, compared with the suspension price of 35p. Trebled first-half earnings helped Talbex improve 1½ to 24½p, while Cope Allmann ended a penny dearer at 56p, after 58p, in reply to the interim results. Thomas Tilling improved 2 to 108p in front of to-day's annual figures. Aaronson added 4 at 61p at did J. Billam to 46p and James Warren firmed 5 to 67p.

Motors and Distributors attracted a better business than of late and closed with widespread gains. Rolls-Royce, at 81p, recouped the previous day's loss of 2 which followed vague talk of an imminent rights issue, while small buying in a thin market raised Group Lotus 6 to 47p. Lucas Industries, which report interim figures on March 30, rose 8 to 270p. Substantially increased first-half profits took Armstrong Equipment up 2 to 63½p, while Henlys, 121p, and Dunlop, 83p, put on 3 apiece. Investment demand brought an improvement of 5½ to 103p in Heron, while Lex Service closed 2 harder at 72p and Appleyard 3 better at 82p. Tate of Leeds continued firmly, rising 2 more to 63p on further consideration of the recent results.

Enthusiasm for selected North Sea oil-orientated Newspapers waned on first sight of the Government's White Paper and Thomson, up to 210p before the news, settled 8 higher on balance at 206p. Daily Mail A touched 280p briefly before closing unaltered at 278p. Elsewhere, Mills and Allen were sought after once more with fresh speculative support pushing them up to a fresh peak of 199p, before closing 9 better on balance at 196p. Watmoughs hardened 2 to 79p in reply to the results but higher interim profits failed to spur Capseals, which cheapened a penny to 41p.

Leading Properties traded quietly, although the trend was to higher levels. MEPC rose 3 to 120p and Land Securities were 5 dearer at 217p, while English Property improved marginally to 39p. Small gains were often seen in secondary issues where Berkeley Hambro firmed 3 to 102p.

Fresh sporadic demand pushed the Oil leaders to higher levels. Helped by currency considerations, Shell moved up 14 to 526p and British Petroleum edged up 8 more to 782p. Royal Dutch advanced 1½ further to £45¾ on dollar premium influences. North Sea hopefuls encountered support awaiting the announcement of a new series of offshore oil exploration licences. Tricentrol advanced 6 to 162p, while Ultramar were *similarly* better at 232p and *Oil* Exploration 4 dearer at 216p.

Overseas Traders had contrasting features in J. E. Sanger, 10 cheaper at a 1977-78 low of 35p on the interim dividend omission an dloss, and S. and W. Berisford, 7 to the good at 217p, reflecting renewed invesment demand.

Apart from First Guernsey Securities, 5 higher at 23p in response to net asset value and scrip issue proposals, the gains in Investment Trusts were limited to around 3, as in City and Foreign Investment, at 58p. Overseas issues had Jardine Securities 3½ harder at 96½p and International Pacific Securities 4 higher at 150p. S. Pearson were notably firm at 192p, up 6, in otherwise little-changed Financial.

Shippings once again closed with little alteration following a light trade.

Textiles had occasionals firm spot. Tootal closed 1½ up at 48p, while Courtaulds, 115p, and Sirdar, 55p, put on 3 apiece. In Tobaccos, Imps closed fractionally cheaper at 79p after the chairman's annual review.

Gold Field Properties returned to favour in South African Industrials and gained 7 to 72p, while Primrose rose 3 more to 79p on the bid from Tongaat.

London Sumatra returned to prominence, rising 7 to 125p on the revaluation of its Indonesian estates and the profits forecast contained in the company's formal rejection of the McLeod Russel/Sipef SA bid.

Golds easier again

The further rise in the investment currency premium tended to restrict losses in South African Golds but the Gold Mines index still recorded a 0.6 fall at 141.3, bringing the cumulative reaction over the past five trading days to 25.0, as the bullion price weakened $2.25 more to $177.375 per ounce.

Influencing the continued weakness of the metal price was the strength of the dollar owing to anticipations of another support package for the dollar which could possibly include U.S. Treasury sales of bullion.

Gold shares were again marked down heavily at the outset of business reflecting the sharp fall in both bullion and shares in overnight U.S. markets. As the metal price opened above the closing U.S. indications, however, "cheap" buying and bear closing produced scattered gains but these were pared, in most cases, towards the close.

In the after hours trade modest U.S. support was reported but losses still predominated. Among the heavyweights West Driefontein dropped more to £16¾, while Free State Geduld and Western Holdings both receded ⅜ to £14¾ and £16⅝ respectively. Hartebeest were 55 off at 935p. Bear closing produced a recovery in the marginal West Rand Consolidated, which closed 8½ better at 87p.

De Beers continued to attract most of the attention in South African Financials; continuing persistent U.S. and Cape buying took the shares up to 338p before they eased a shade to close a net 7 higher at 333p.

Otherwise in South Africans Anglo American gave up 3 to [illegible] and Union Corporation a similar amount to 257p. London-registered Financials rallied in the afternoon in line with U.K. equities. Rio Tinto-Zinc put on 3 to [illegible], Charter 2 to 121p and Gold Fields a penny to 173p.

The substantial fall in the free market platinum price prompted losses in Platinums with Rustenburg 3 off at 84p and Bishopsgate 2 easier at 72p. The magnitude of the further trend in Sydney and Melbourne markets coupled with the higher premium lifted Australians, although turnover was at a low level.

FINANCIAL TIMES STOCK INDICES

	Mar. 21	Mar. 20	Mar. 17	Mar. 16	Mar. 15	Mar. 14	A year ago
Government Secs.	75.35	75.37	75.66	76.03	75.96	[illegible]	[illegible]
Fixed Interest	78.23	78.30	78.25	78.38	78.48	78.26	67.97
Industrial Ordinary	466.3	458.6	457.2	456.3	455.9	460.4	479.4
Gold Mines	141.3	141.9	149.6	155.6	161.1	166.3	137.4
Ord. Div. Yield	5.79	5.89	5.91	5.90	5.96	5.89	[illegible]
Earnings Y'ld % (full)*	17.02	17.31	17.36	17.35	17.63	17.32	16.0[illegible]
P/E Ratio (net) (*)	8.24	8.10	8.07	8.08	8.00	8.10	[illegible]
Dealings marked	5,273	4,098	4,935	4,894	5,668	5,424	[illegible]
Equity turnover £m.	—	55.95	65.52	58.01	71.40	77.01	[illegible]
Equity bargains total	—	14,076	12,995	14,466	14,968	16,298	18,689

10 a.m. 463.3. 11 a.m. 463.3. Noon 463.4. 1 p.m. 463.5.
2 p.m. 463.3. 3 p.m. 464.0.
Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.19.
Basis 100 Govt. Secs. 15-10-26. Fixed Int. 1928. Ind. Ord. 1-7-35. Gold Mines 12-9-55. SE Activity July-Dec. 1942. ‡ Corrected.

HIGHS AND LOWS

	1977-78 High	1977-78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 21	Mar. 20
—Daily		
Gilt-Edged	199.4	[illegible]
Industries	158.8	127.[illegible]
Speculative	57.8	44.[illegible]
Totals	120.0	96.[illegible]
5-day Av'rage		
Gilt-Edged	198.3	192.[illegible]
Industrials	159.3	161.[illegible]
Speculative	46.0	49.[illegible]
Total	112.9	114.[illegible]

NEW HIGHS AND LOWS FOR 1977/78

The following securities quoted in the *Share Information Service* yesterday attained new Highs and Lows for 1977-78.

NEW HIGHS (77)

FOREIGN BONDS (1)
Hungarian 7½pc 1924 Assented

AMERICANS (3)
Am. Medical Intl. — Zapata Corp.
Reliance

CANADIANS (1)
Brascan

BANKS (5)
Algemene — Deutsche Bank
Allied Irish — Cie. Bancaire
Commerzbank

BEERS (1)
Young Co. Brew. A

BUILDINGS (5)
Fed. Land Bldg. — Whittingham (W.)
Heywood Williams — Wiggins Constructn.
Rovco

CINEMAS (2)
HTV N-V — Scottish TV A

STORES (5)
Ellis & Goldstein — Ramar Textiles
MFI Furniture — Vernon Fashion
Pawson (W. L.)

ELECTRICALS (1)
Pressac

ENGINEERING (6)
Alcan 9pc Conv. — M.L. Holdings
Chemring — Tompkins (F. H.)
Jenks & Cattell — United Engineering

FOODS (1)
Clifford's Dairies A N-V

INDUSTRIALS (19)
AGB Research — M.Y. Dart
Billam (J.) — Mashall Loxley A
Caplan Profile — Pentos
Christies Intl. — Securicor
Dawson (J.) — Do. A N-V
First Castle — Security Services
G.R. (Holdings) — Do. A N-V
Hewitt (J.) — Sotheby P. B.
Hutch Whamp — Talbex
Lindsay & Williams

MOTORS (5)
Alexanders — Tate of Leeds
Quick (H. & J.) — Western Motor.
Reynolds (W. J.)

PAPERS (4)
Ferry Pickering — Mills & Allen Intl.
IPG — Ogilvy & Mather

PROPERTY (1)
Hartley Indl. Tst.

SHOES (1)
Turner (W. & E.)

TEXTILES (1)
Early (C.) Marriott

TRUSTS (10)
Atlanta Baltimore — Scottish & Comml.
City & Foreign — Sizewell European
Glendevon Inv. — W. Coast & Texas
Govett European — Prelabail-Sicomi
Int. Pacific Secs. — Suez Finance

OVERSEAS TRADERS (1)
Jacks (Wm.)

RUBBERS (4)
Anglo-Indonesian — Kuala Kepong
Highlands — Plantation Holdings

NEW LOWS (1)

OVERSEAS TRADERS (1)
Sanger (J. E.)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	2	10	62
Corpns. Dom. and Foreign Bonds	4	12	45
Industrials	398	66	895
Financial and Prop.	231	23	270
Oils	18	3	13
Plantations	10	3	21
Mines	49	28	45
Recent Issues	4	1	22
Totals	921	146	1,373

COMPANY NOTICES

ELANDSRAND GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
NOTICE OF GENERAL MEETING

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

March 21, 1978.

ANGLO AMERICAN CORPORATION GROUP
TRANSVAAL GOLD MINING COMPANIES
CLOSING OF TRANSFER REGISTERS

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

22nd March, 1978

TATE & LYLE LIMITED
NOTICE TO HOLDERS OF BEARER SHARE WARRANTS

[illegible]

INTERNATIONAL PACIFIC SECURITIES COMPANY LIMITED
ANNOUNCEMENT SCRIP DIVIDEND

[illegible]

N.V. ENGELSCH-HOLLANDSCHE BELEGGINGS TRUST
(English and Dutch Investment Trust) established in Amsterdam

5% FIRST CUMULATIVE PREFERENCE SHARES
5% SECOND PREFERENCE SHARES ORDINARY SHARES

[illegible]

HOLLANDSE KOOPMANSBANK N.V.

N.V. ENGELSCH-HOLLANDSCHE BELEGGINGS TRUST
(English and Dutch Investment Trust) established in Amsterdam
PARTICIPATION CERTIFICATES

[illegible]

ROYAL EXCHANGE ASSURANCE

RANSOMES SIMS & JEFFERIES LIMITED

[illegible]

SPANISH 4% EXTERNAL LOAN (1974 ISSUE)

[illegible]

BANCO ESPANOL EN LONDRES, S.A.

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 21	Apr. 10	Jun. 22	July 5
Apr. 11	Apr. 24	July 6	July 19
Apr. 25	May 9	July 20	Aug. 3

For rate indications see end of Share Information Service

Money was given for the call of Royco, Burmah Oil, KCA Drilling, Rio Tinto-Zinc, United City Merchants, Intereuropean Property, Maurice James, Cons. Gold Fields, ICI, Town and City Properties, British Land, Raine Engineering, Crellon, Ault and Wiborg, Cons. Plantations Warrants, Vernon Fashion, Brittania Arrow, William Whittingham, Blackman and Conrad, Thorn Electrical, UBM, H. Wigfall, Staflex International, P. and O. Deferred, Energy Services, Newman Industries, Loraine, Dubilier and Cosalt, while doubles were arranged in Royco, Cons. Plantations Warrants, Britannia Arrow, P. and O. Deferred, Ladbroke Warrants and Rio Tinto-Zinc. A short-dated put was taken out in H. Wigfall.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
Shell Transport	25p	19	526	+14	635	434
BP	£1	13	782	+8	966	720
ICI	£1	12	358	+9	446	325
Reed Intl.	£1	12	114	+3	233	100
BATs Defd.	25p	11	253	—	263	203
Beecham	25p	10	633	+11	693	372
Barclays Bank	£1	9	340	+3	330	228
Burmah Oil	£1	9	48	+1	83	41
Boots	25p	8	211	+6	244	115
Marks & Spencer	25p	8	150	+4	173	96
RTZ	25p	8	182	+3	247	164
Unilever	25p	8	496	+12	596	410
EMI	50p	7	148	+3	234	141
GUS "A"	25p	7	288	+6	347	176
GKN	£1	7	282	+4	380	260

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)

		Tues., March 21, 1978: Index No.	Day's Change %	Est. Earnings Yield % (Max.) (Corp. Tax 52%)	Gross Div. Yield % (ACT at 34%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Mon. Mar. 20 Index No.	Fri. Mar. 17 Index No.	Thurs. Mar. 16 Index No.	Weds. Mar. 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	201.33	+1.4	17.59	5.80	8.04	198.50	198.53	199.77	199.18	161.91
2	Building Materials (27)	181.71	+0.7	16.00	5.75	8.49	180.51	180.28	178.74	178.66	137.42
3	Contracting, Construction (26)	316.19	+2.2	18.18	4.08	8.21	309.26	309.00	306.16	305.53	229.18
4	Electricals (15)	430.02	+1.5	15.47	4.12	9.23	423.49	423.89	437.97	435.93	331.38
5	Engineering Contractors (14)	284.22	+1.3	17.66	7.11	7.76	280.52	282.19	282.87	284.63	288.94
6	Mechanical Engineering (71)	159.35	+1.7	19.00	6.43	7.45	156.64	156.44	156.58	155.85	146.51
8	Metals and Metal Forming (17)	162.55	+1.0	19.21	8.50	6.99	160.87	161.14	160.79	160.28	137.29
	CONSUMER GOODS										
11	(DURABLE) (52)	185.04	+1.3	18.38	5.10	7.90	182.70	182.95	182.77	181.87	147.10
12	Lt. Electronics, Radio TV (16)	220.90	+0.8	16.12	3.83	8.96	219.18	219.77	219.41	218.46	167.58
13	Household Goods (12)	165.31	−0.1	17.29	7.40	8.04	165.46	165.71	165.13	164.65	148.97
14	Motors and Distributors (25)	114.75	+2.4	22.17	6.55	6.63	112.06	111.96	112.05	111.33	94.98
	CONSUMER GOODS										
21	(NON-DURABLE) (176)	194.53	+1.7	16.43	5.96	8.42	191.21	190.80	191.09	190.21	157.80
22	Breweries (14)	226.78	+2.4	14.39	5.86	10.53	221.50	220.58	219.29	218.77	166.26
23	Wines and Spirits (6)	250.90	+1.8	16.10	5.73	9.42	246.50	245.20	242.85	241.08	172.76
24	Entertainment, Catering (17)	246.64	+1.8	15.08	7.02	9.14	242.22	241.69	239.41	239.21	193.72
25	Food Manufacturing (22)	183.99	+1.6	21.58	5.92	6.54	181.03	180.38	180.92	179.75	169.79
26	Food Retailing (16)	189.18	+2.3	14.55	4.83	9.92	184.97	185.35	184.62	184.33	162.08
32	Newspapers, Publishing (13)	323.44	+2.2	10.39	3.87	14.30	316.36	308.92	306.42	304.54	253.10
33	Packaging and Paper (15)	126.70	+1.2	21.03	9.24	6.03	125.25	124.96	125.87	126.53	110.32
34	Stores (39)	182.58	+2.3	10.61	4.35	13.86	178.50	178.12	178.84	176.96	135.31
35	Textiles (25)	169.97	+1.6	21.78	7.93	5.69	167.32	167.04	166.63	167.36	156.78
36	Tobaccos (3)	233.24	−0.2	23.73	8.03	5.01	233.63	235.21	239.20	237.74	218.13
37	Toys and Games (6)	100.70	+0.6	20.06	5.89	6.66	100.13	99.99	99.55	99.44	80.04
41	OTHER GROUPS (97)	185.75	+1.6	16.73	5.95	7.89	182.80	182.07	181.88	180.85	166.19
42	Chemicals (19)	257.95	+2.2	16.05	6.71	7.27	252.35	250.42	250.68	249.80	228.88
43	Pharmaceutical Products (7)	242.79	+1.6	11.59	4.11	10.92	239.05	237.92	238.58	235.81	9.00
44	Office Equipment (6)	130.06	+2.1	18.66	4.78	6.29	127.45	127.33	127.16	126.39	99.26
45	Shipping (10)	434.87	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	Miscellaneous (55)	192.42	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (495)	199.92	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (100)	167.08	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	190.61	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	139.53	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	340.98	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (7)	107.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	184.11	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	205.25	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues. Mar. 21	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	109.05	+0.01	—	2.10
2	5-15 years	121.75	—	—	1.53
3	Over 15 years	128.97	−0.02	—	2.32
4	Irredeemables	143.50	—	—	1.78
5	All stocks	119.33	−0.00	—	2.11

FIXED INTEREST YIELDS

	Br. Govt. Av. Gross Red.		Tues. Mar. 21	Mon. Mar. 20	Year ago (approx.)
1	Low Coupons	5 years	7.66	7.66	7.21
2		15 years	9.94	9.96	[illegible]
3		25 years	10.46	10.48	[illegible]
4	Medium Coupons	5 years	9.73	9.72	9.77
5		15 years	11.01	11.01	11.61
6		25 years	11.19	11.18	12.47
7	High Coupons	5 years	9.98	9.98	[illegible]
8		15 years	11.78	11.77	[illegible]
9		25 years	12.07	12.06	[illegible]
10	Irredeemables		10.30	10.30	[illegible]

		Tuesday, March 21 Index No.	Yield %	Monday March 20	Friday March 17	Thurs. March 16	Wed. March 15	Tues. March 14	Mon. March 13	Friday March 10	Year ago (approx.)
15	20-yr. Red. Deb. & Loans (15)	61.03	12.17	61.03	60.98	61.00	60.98	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	56.36	12.53	56.12	56.17	56.41	56.50	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	74.49	12.21	74.53	74.62	75.78	75.83	[illegible]	[illegible]	[illegible]	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 13p, by post 22p.

INSURANCE, PROPERTY, BONDS

[illegible]

AUTHORISED UNIT TRUSTS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

Kemp-Gee Management Jersey Ltd.
1, Charing Cross, St. Helier, Jersey. 0534 73741

Kemp-Gee Capital	84.6	87.2	+5.1	—
Kemp-Gee Income	65.3	67.3	+0.4	8.50

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$US13.00	+0.06	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BASE LENDING RATES

A.N. Bank	6½%	■	Hill Samuel §	6½%
ied Irish Banks Ltd.	6½%		C. Hoare & Co. †	6½%
erican Express Bk.	6½%		Julian S. Hodge	7½%
ro Bank	6½%		Hongkong & Shanghai	6½%
P Bank Ltd.	6½%		Industrial Bk. of Scot.	6½%
ry Ansbacher	6½%		Keyser Ullmann	6½%
ico de Bilbao	6½%		Knowsley & Co. Ltd.	9 %
ık of Credit & Cmce.	6½%		Lloyds Bank	6½%
ık of Cyprus	6½%		London & European	8 %
ık of N.S.W.	6½%		London Mercantile	6½%
ique Belge Ltd.	6½%		Midland Bank	6½%
ique du Rhone	7 %	■	Samuel Montagu	6½%
clays Bank	6½%	■	Morgan Grenfell	6½%
nett Christie Ltd.	8½%		National Westminster	6½%
mar Holdings Ltd.	7½%		Norwich General Trust	6½%
Bank of Mid. East	6½%		P. S. Refson & Co.	6½%
wn Shipley	6½%		Rossminster Accept'cs	6½%
ada Permanent AFI	6½%		Royal Bk. Canada Trust	6½%
itol C & C Fin. Ltd.	9 %		Schlesinger Limited	6½%
zer Ltd.	7 %		E. S. Schwab	8½%
ar Holdings	8 %		Security Trust Co. Ltd.	7½%
rterhouse Japhet	6½%		Shenley Trust	9½%
ulartons	6½%		Standard Chartered	6½%
E. Coates	7½%		Trade Dev. Bank	6½%
solidated Credits	6½%		Trustee Savings Bank	6½%
iperative Bank *	6½%		Twentieth Century Bk.	7½%
nthian Securities	6½%		United Bank of Kuwait	6½%
dit Lyonnais	6½%		Whiteaway Laidlaw	7 %
Cyprus Popular Bk.	6½%		Williams & Glyn's	6½%
can Lawrie ¶	6½%		Yorkshire Bank	6½%
li Trust	6½%			
lish Transcont.	8 %			
t London Secs.	6½%			
t Nat. Fin. Corpn.	8½%			
t Nat. Secs. Ltd.	8 %			
ony Gibbs	6½%			
yhound Guaranty	6½%			
idlays Bank ‡	6½%			
inness Mahon	6½%			
ibros Bank	6½%			

■ Members of the Accepting Houses Committee.

* 7-day deposits 3%, 1-month deposits 3½%.

† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.

‡ Call deposits over £1,000 3%.

§ Demand deposits 4%.

¶ Rate also applies to Sterling Ind. Secs.

BUILDING SOCIETY INTEREST RATES

Greenwich (01-858 8212)
281, Greenwich High Road, Greenwich SE10 8NL.
Deposit Rate 5.75. Share Accounts 6.10. Sub'pn. Shares 7.50. Term Shares 2 yrs fixed 1 over Share Accounts.

Hearts of Oak and Enfield (01-806 5666)
Walford House, 201, Hertford Road, Enfield EN3 5LQ.
Deposit Rate 5.25. Share Accounts 5.50. Sub'pn. Shares 7.25. Term Shares 6.75 3 yrs., 6.50 2 yrs., 6.25 1 yr.

* With effect from April 1.

London Goldhawk (01-995 8321)
15 17, Chiswick High Road, London W4 2NG.
Deposit Rate 5.75. Share Accounts 6.25. Sub'pn. Shares 7.50. Term Shares 7.25 2 yrs., 6.75 1 yr.

Mornington (01-267 2971)
155, Kentish Town Road, London NW5 2BT.
Deposit Rate 5.20*. Share Accounts 6.20.

Newcastle Permanent (0632 610671)
31, Grainger Street, Newcastle-upon-Tyne NE99 1DT
Deposit Rate 5.00. Share Accounts 5.50. Sub'pn. Shares 6.50. Term Shares 6.50 3 yrs., 6.30 2 yrs.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1977-78 High	Low	Stock	£	+ or –	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
104¼	97⅞	Treasury 10½pc '78‡‡	101⅛	......	10.35	5.85
100⅛	90⅞	Exch. 5pc '76-78‡‡	99½xd	......	5.02	5.96
107	95¾	Treasury 11½pc '79‡‡	104¼	......	11.03	6.86
97¾	84⅞	Treasury 3pc '79‡‡	96⅞	–⅛	3.10	5.24
98⅛	85⅛	Electric 4¼pc '74-79	97⅜xd	–⅛	4.36	5.94
106⅞	92	Treasury 10½pc '79‡‡	103⅞	–⅛	10.11	7.88
97⅝	84⅞	Electric 3½pc '76-79	96⅛	......	3.63	5.82
107	87¾	Treasury 9pc 1980‡‡	101⅞	......	8.83	7.90
105¾	88⅝	Treasury 9½pc '80‡‡	101⅞	......	9.32	8.49
96	82⅞	Treasury 3½pc '77-80	94⅝	–⅛	3.70	6.10
98¼	83⅛	Funding 5¼pc '78-80‡‡	96⅛	–⅛	5.46	7.38
112⅜	96⅞	Exchequer 13pc 1980‡‡	108¾	......	11.95	9.22
108⅜	92⅞	Treasury 11½pc 1981‡‡	105⅜	......	10.89	9.19
94¼	77⅞	Treasury 3½pc 1979-81	91⅛	......	3.84	6.92
104	86⅞	Treasury 9¾pc 1981‡‡	101⅜xd	......	9.60	9.15
97½	95¼	Exch. 8¼pc 1981	97⅞	......	8.47	9.19
103½	97½	Exch. 9½pc 1981	100⅜	......	9.45	9.30
92⅛	87½	Exch. 3pc 1981	87¼	......	3.42	7.10
98¾	96⅛	Treas. Variable '81§§	96⅞	......	6.52	7.34
113⅞	96¼	Exch. 12¾pc 1981‡‡	109⅜	......	11.64	9.58
100⅝	82⅞	Treas. 8½pc '80-82‡‡	97⅞	......	8.68	9.16
93⅛	72⅝	Treasury 3pc '82‡‡	86⅛	+⅛	3.48	7.07
119⅜	101⅝	Treasury 14pc '82‡‡	114	–⅛	12.28	9.68
98½	95¼	Treas. Variable '82§§	95⅞	......	6.57	7.43
98⅝	93⅝	Treasury 8¼pc '82	95⅞	......	8.60	9.44
102⅛	93⅝	Exch. 9¼pc 1982	98⅞	......	9.36	9.55
96⅞	96½	Exch. 8¾pc 1983	96⅜	–⅛	9.06	9.65
87⅝	81	Exch. 3pc '83	83⅝	+⅛	3.60	7.07
114¼	95½	Treasury 12pc 1983‡‡	109	–⅛	11.01	9.68
Five to Fifteen Years						
101⅛	95¼	Treasury 9¼pc '83	99⅝	......	9.44	9.73
95½	72⅞	Funding 5½pc '82-84‡‡	87⅞	......	6.33	8.39
100¾	77⅛	Treasury 8½pc '84-86‡‡	95⅛	......	9.09	9.66
87⅞	66¼	Funding 6½pc '85-87‡‡	85¾	......	7.81	9.26
94	68½	Treasury 7¾pc '85-88‡‡	87⅛	......	9.02	10.02
74⅞	49⅛	Transport 3pc '78-88	65⅞	......	4.60	8.03
76¼	53⅞	Treasury 5pc '86-89	69¾xd	......	7.13	9.27
121¼	90	Treasury 13pc 1990‡‡	112	......	11.86	11.48
94¾	67½	Treasury 8¼pc '87-90‡‡	86⅝	......	9.77	10.54
112	89¾	Treasury 11¾pc 1991	103¼	......	11.64	11.59
76½	53¾	Funding 5¾pc '87-91‡‡	69½xd	......	8.26	9.97
118	86¼	Treasury 12¾pc '92‡‡	108⅞	......	11.94	11.73
96⅛	88¾	Treasury 10pc 1992	91	......	11.09	11.42
113	89½	Exch. 12¼pc '92	104¼	......	11.85	11.75
Over Fifteen Years						
116¼	84½	Treasury 12½pc '93‡‡	107¼	......	11.91	11.79
73⅛	51⅝	Funding 6pc 1993‡‡	66¼	......	9.00	10.37
126½	96	Treasury 13¾pc 1993‡‡	117¼	......	12.19	11.92
129¼	99	Treasury 14½pc '94‡‡	118⅝	......	12.31	11.97
114⅛	94⅝	Exch. 12½pc 1994	105⅝	......	11.94	11.85
96	66¼	Treasury 9pc '94‡‡	87	......	10.72	11.14
110¾	97⅞	Treasury 12pc '95	103⅝	......	11.79	11.74
51⅞	32⅝	Gas 3pc '90-95	49¾	......	6.17	8.91
95	88⅝	Exch. 10¼pc 1995	90¾	......	11.43	11.64
120⅜	87	Treasury 12¾pc '95‡‡	111	......	11.96	11.84
92½	66¼	Treasury 9pc '92-96‡‡	83¼	......	10.83	11.21
133¾	101⅛	Treasury 15¼pc '96‡‡	128⅝	–⅛	12.42	12.11
124	89¼	Exchequer 13¼pc '96‡‡	114⅝	......	12.04	11.89
50	31¾	Redemption 3pc 1986-96	47¼xd	......	6.35	8.85
122½	87⅛	Treasury 13¾pc '97‡‡	112¼	......	12.03	11.88
95⅛	90¼	Exchequer 10½pc 1997	92¼	......	11.49	11.63
89⅝	64⅞	Treasury 8¾pc 1997‡‡	81	......	10.87	11.23
72⅛	50¾	Treasury 6¾pc '95-98‡‡	69	......	10.17	10.91
136½	103⅝	Treas. 15½pc '98‡‡	125¾xd	–⅛	12.33	12.08
97	65⅝	Treasury 9½pc 1999‡‡	87½	......	11.07	11.28
96¼	90⅛	Treasury 10½pc 1999	93	......	11.51	11.62
44¾	27⅞	Funding 3½pc '99-04	40½	......	8.78	10.05
82¼	57½	Treasury 8pc '02-06‡‡	73¾xd	......	10.79	10.97
59	40½	Treasury 5½pc '08-12‡‡	52⅞	......	10.44	10.70
80¾	53¾	Treasury 7¾pc '12-15‡‡	73	......	10.79	10.87
Undated						
38⅞	26⅝	Consols 4pc	35⅞	......	11.48	—
38½	25⅝	War Loan 3½pc‡‡	36⅛	......	9.91	—
39¾	26¾	Conv. 3½pc '61 Aft.	37xd	......	9.43	—
28⅝	20½	Treasury 3pc '66 Aft.	25¾xd	......	11.60	—
24⅛	17¼	Consols 2½pc	22¼xd	......	11.19	—
24	17⅛	Treasury 2½pc	21½xd	......	11.59	—

**INTERNATIONAL BANK

88¾	75½	5pc Stock '77-82	85	......	5.88	9.21

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 44⅝% (based on $US1.8900 per £)

Conversion factor 0.6899 (0.7007)

CANADIANS

S.E. List Premium 44⅝% (based on $2.1068 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
9½	9	Burma Mines 17½p.	9	......	—	—	—
600	220	Cons. Murch. 10c	220	......	Q30c	ϕ	8.1
475	245	Northgate C$1	290	+10	—	—	—
247	164	R.T.Z.	182	+3	t8.5	q3.1	7.1
70	28½	Sabina Inds C$1	34	+2	—	—	—
£14¼	750	Tara Explo. $1	750	......	—	—	—
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1
160	120	Yukon Cons. C$1	145	–1	Q7c	ϕ	2.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ÷ Not comparable.
- ♦ Same interim, reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ÷ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

[illegible]

IRISH

[illegible]

OPTIONS
3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday March 22 1978

Rhodesian Executive holds first meeting

BY TONY HAWKINS SALISBURY, March 21.

THE THREE black nationalist leaders who signed the internal settlement agreement with the Rhodesian Government on March 3 were to-day sworn in as members of the transitional Government's highest body, the Executive Council.

The transitional Government, which is to last until December 31, comprises the Executive Council and a Council of Ministers. The Executive Council members are Bishop Muzorewa, the Rev. Ndabaningi Sithole and Chief Chirau, officially sworn in this afternoon, and Mr. Ian Smith Rhodesian Prime Minister.

After the first 100-minute session of the Council to-day, Mr. Smith said that lots had been drawn for the post of chairman, which is to rotate on a four-weekly basis. Mr. Smith is the first chairman, followed by Chief Chirau, then Rev. Sithole, then Bishop Muzorewa.

Mr. Smith confirmed that the Ministerial Council, to be appointed by the Executive Council, would consist of an unspecified number of black and white Ministers, with parity between the races. He declined to say how many posts there would be, but confirmed that there would be two Ministers to each post.

To-day's ceremony marks the beginning of the end for Mr. Smith. Legally he is still Prime Minister. The use of the title will be discouraged and he, along with the three black Ministers, will be referred to simply as a member of the Executive.

The swearing-in ceremony took place at Mr. Smith's official residence. At the request of the African leaders it was conducted not by President John Wrathall but by the "neutral personality" of the African Suffragan Anglican Bishop of Mashonaland.

The ceremony, which marks the start of the dismantling of white rule in Rhodesia, coincided with a news conference in Lusaka in which Mr. Joshua Nkomo, co-leader of the Patriotic Front, which rejects the deal, claimed that Mr. Smith would retain real power in terms of the Salisbury pact.

While the majority rule Government that is due to take over on December 31 would leave the whites without real political power, the white Government will certainly be able to influence—if not control—events during the next nine months of transitional Government.

To-day, describing the meeting of the Eecutive Council as "a milestone in our history," Mr. Smith denied suggestions that there had been a change in the control of the war council—the government committee responsible for running the war here.

However, it is understood that the membership of the war council has been reduced from ten to five and that it has been removed frm the political arena with Ministers no longer sitting on it.

General Walls, commander of combined operations, will now preside over the council rather than the Prime Minister. This move is hardly a surprise, since observers here expect decisions increasingly to be left in the hands of officials, answerable to Ministers and ultimately to the Executive Council.

The first task of the Executive Council is to agree on the allocation of Cabinet posts in the Ministerial Council. Thereafter the transitional administration's two most immediate tasks are to try and secure a ceasefire in the war and obtain international recognition leading to the early lifting of sanctions.

Guerillas

In addition, however, the difficult issues it must tackle include removing racial discrimination, providing for the "intergration" of guerillas into the new National Army of Zimbabwe (the country's new name), the registration of voters and the setting up of constituencies for the one-man-one-vote elections in November or December, the release of political detainees and prisoners and the drawing up of a detailed constitution.

While both Bishop Muzorewa and the Rev. Sithole claim to be in a position to defuse the war by successfully appealing to guerillas to lay down their arms, political observers are sceptical.

The Rhodesian Government estimates that there are 6,000 guerillas nside the country, a considerable increase since the beginning of the year, although in view of these totals officials are puzzled by the apparently declining level of guerilla activity.

Silkin wants U.K. to control cost of EEC farms policy

BY CHRISTOPHER PARKES

BRITAIN WOULD greatly reduce the net cost of its Common Market membership if it won control over the cost of operating the Common Agricultural Policy, Mr. John Silkin, Minister of Agriculture, told the Commons yesterday.

Earlier, he said that contrary to popular beliefs about "subsidies" paid by the Community on British food imports, the U.K.'s taxpayers had become "very largely the agricultural paymasters of Europe."

Opening a debate on CAP prices, Mr. Silkin based most of his comments on a recent report from the Cambridge Economic Policy Group which estimated the present cost of EEC membership to the British exchequer at £1bn. a year and forecast an increase of £200m. at 1978 prices by 1980.

"Two-thirds of the cost to the U.K. arises from the money we pay to the Community budget," Mr. Silkin said.

"If we can get the cost of the CAP under control—and this means basically eliminating the structural surpluses—we can make a big reduction in our own net payment."

His main aim, was to avoid "unjustified" price increases at the forthcoming farm price review. It was natural that the British Minister fought hardest each year to hold down the price increases since "excessive price levels" damaged U.K. interests more than those of other EEC members.

CAP prices affected the British economy in three important ways:

- They governed the price of most foods and thus influenced counter-inflation policy and living standards.
- They affected the running costs of the farm policy to which the U.K. paid a major share through contributions to the Community budget.
- "And they affect the cost of many of our imports and this in turn affects the balance of payments and our trading relations with other countries."

"We cannot therefore afford to relax our determination to prevent unjustified increases." Mr. Silkin concluded.

He also stressed that he aimed to see the future of the British Milk Marketing Boards made secure. Mainstay of the dairy industry and the daily milk delivery system, the Boards have been declared illegal monopolies within the meaning of EEC treaties. The Commission has proposed changes which would make them legal, but other agriculture Ministers want to see them go.

Mr. Silkin reeled off the evidence of "a calamitous drop" in liquid milk consumption over the past 12 years in countries without an effective distribution system: 36 per cent. in Germany, almost 50 per cent. in Holland and 40 per cent. in Denmark.

O'Dalaigh death delays talks

BY GILES MERRITT

THE SUDDEN death of Mr. Cearbhall O'Dalaigh, the former Irish President, yesterday forced a postponement of the meeting on Ulster due to take place in Dublin to-morrow between Mr. Roy Mason, the Northern Ireland Secretary, and Irish Cabinet Ministers.

There is to be a State funeral to-morrow for Mr. O'Dalaigh in Co. Kerry, where this morning the 67-year-old former head of State collapsed and died of a heart attack at his holiday home. Mr. O'Dalaigh was Ireland's fifth President. He was inaugurated in December 1974 but resigned less than two years later over a constitutional disagreement with the then Fine Gael-Labour coalition Government.

The postponement of the Ministerial talks will give both the Irish and British Governments breathing space. Until the news of Mr. O'Dalaigh's death intervened it appeared that the Dublin meeting was to be the scene of a damaging clash between Mr. Mason and Ireland's Foreign Minister, Mr. Michael O'Kennedy.

Although the talks had been aimed at smoothing the open conflict between Dublin and the Northern Ireland office over cross-border security, diplomatic tensions over the venue and agenda for the meeting had threatened to turn it into a confrontation.

The Irish Government has insisted that Mr. Mason should extend the agenda to include political and economic questions as well as security. However, British Government officials have emphasised that the primary aim of the meeting that Mr. Mason requested is to tighten-up security operations against the Provisional IRA along the border.

Continued from Page 1

Oil

for the National Enterprise Board especially aimed at helping small companies and at creating employment, and an expansion of selective aid schemes for industry.

In the Commons, Mr. Callaghan drew the broad lines of the political argument in prospect when he scornfully contrasted the Government's broad approach with Mrs. Margaret Thatcher's statement that the major part of the oil revenues should go in tax cuts.

Mrs. Thatcher said: "We believe the lion's share should go in cuts in taxation so that the people will decide how they will spend or save their money. That will contribute to greater profits for British companies . . . if we get the profit, we will get the investment and if we get the investment we will get the jobs."

The Government's conclusions, outlined by Mr. Callaghan, were that benefits should be concentrated in four broad areas:—

- Investment in industry by guaranteeing general investment incentives, expanding selective assistance, supporting the National Enterprise Board and tackling the problems of Scotland and the assisted areas.
- Increasing funds for energy conservation and for new energy investment, ready for the time when the flow of oil diminished.
- Reductions in the level of personal taxation to increase take-home pay and work incentives.
- Improvements in essential services, including communications, docks, and harbours: rebuilding in inner cities, and the development of training and retraining.

Weather

RAIN followed by showers, sunny intervals.

London Area, S.E., N.E. and E. England, E. Anglia
Rain, then sunny intervals with showers. Max. 7-8C (45-46F).

Cent. Southern, Cent. Northern and N.W. England, Midlands, Channel Is.
Showers and sunny intervals. Max. 8-9C (46-48F).

S.W. England, Wales, Isle of Man, N. Ireland
Showers, strong winds. Max. 8-9C (46-48F).

Lake Dist., S.W. and N.W. Scotland, Glasgow Area, Argyll
Rain then showers. Strong winds. Max. 7C (45F).

Borders, Edinburgh, Dundee and Aberdeen areas, Cent. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetlands
Rain then showers. Strong winds. Max. 5-7C (41-45F).

Outlook: Frequent showers. Rather cold.

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstrdm.	R	3	37	Madrid	F	17	63
Athens	F	15	59	Manchstr.	C	5	41
Bahrain	S	23	73	Melbourne	C	24	74
Barcelona	S	22	72	Milan	F	16	61
Belfast	S	5	41	Montreal	R	0	32
Belgrade	F	11	52	Moscow	Sn	−2	28
Berlin	C	3	37	Munich	F	2	36
Birmghm.	F	7	45	Newcastle	F	7	45
Bristol	F	8	46	New York	S	11	52
Brussels	C	5	41	Oslo	S	−6	21
Budapest	C	7	45	Paris	R	8	46
B. Aires	S	22	72	Perth	C	31	[illegible]
Cairo	S	24	75	Prague	Sl	3	37
Cardiff	F	7	45	Reykjavik	S	1	34
Chicago	C	4	39	Rio de J'o	S	30	86
Cologne	R	3	37	Rome	F	17	63
Copnhagn.	F	−2	28	Singapore	S	32	89
Dublin	F	8	46	Stockholm	S	−7	19
Edinbrgh.	S	5	41	Strasbrg.	F	7	45
Frankfurt	R	3	37	Sydney	C	27	81
Geneva	R	4	39	Tehran	S	18	64
Glasgow	R	7	45	Tel Aviv	S	18	64
Helsinki	F	−9	16	Tokyo	C	9	47
H. Kong	C	22	72	Toronto	R	2	36
Jo'burg	C	23	73	Vienna	R	6	43
Lisbon	F	16	61	Warsaw	C	0	32
London	F	8	46	Zurich	Sn	3	37
Luxembrg.	C	2	36				

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	14	57	Istanbul	C	12	54
Algiers	S	19	66	Jersey	F	8	46
Biarritz	C	10	50	Las Plms.	S	19	66
Blackpool	C	6	43	Majorca	S	19	66
Bordeaux	C	11	52	Malaga	S	19	66
Boulogne	C	6	43	Malta	S	16	61
Casablnca.	C	16	61	Nairobi	R	24	75
Cape Town	S	21	70	Naples	S	15	59
Corfu	R	14	57	Nice	S	19	66
Dubrovnik	C	14	57	Nicosia	F	16	61
Faro	S	19	66	Oporto	S	13	55
Florence	F	15	59	Rhodes	C	17	63
Funchal	F	16	61	Salzburg	F	2	36
Gibraltar	S	18	64	Tangier	C	16	61
Guernsey	F	8	46	Tenerife	S	15	59
Innsbruck	F	6	43	Tunis	F	18	64
Inverness	F	7	45	Valencia	S	22	72
I. of Man	S	6	43	Venice	S	11	52

S—Sunny. F—Fair. C—Cloudy. R—Rain. Sl—Sleet. Sn—Snow.

No early start on emptying leaking tanker

BY MARK WEBSTER BREST, March 21.

NO START can be made on emptying the crippled oil tanker Amoco Cadiz before the end of the week. Even that would depend on fine weather, Admiral Jacques Coulandres, the senior French naval officer here, said to-day.

The long-range weather forecast is predicting more gale force winds like those that last night whipped up 15 to 20 feet high waves around the tanker.

After last night's battering, the ship is said to be leaking considerably more of its remaining 100,000 tonnes of oil.

The French authorities have been assured by a representative of the oil company's insurers, the Protection and Indemnity Club of London, that full compensation—up to a possible maximum of \$30m.—would be paid for the cost of cleaning up the many miles of the Brittany coastline that have been spoilt.

Admiral Coulandres said that a second large oil hold may well have been punctured and that more severe weather would provoke another major spillage.

He also said that the ship could well split in two if the bad weather continued. Already, the stern could be seen moving.

The French navy had ruled out the possibility of bombing the ship, as was tried with the Torrey Canyon 11 years ago, because of the danger of explosion.

A number of other possibilities had been considered, including burning the oil. That had been ruled out because it would take two to three months and the resulting smoke and fumes might cause severe damage to local agriculture and livestock.

The Admiral added that pumping the oi lfrom the tanker was considered to be the only possibility. As no survey of the seabed in the area had been undertaken since 1927, sonar soundings will be necessary before a second tanker can be got alongside to off-load the oil.

The navy had dropped the idea of pumping the oil to the land because the pumps were not powerful enough to force it along two miles to the shore.

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Men and Matters Page 22

Steel delays 'threat to Welsh economy'

BY ROY HODSON AND ROBIN REEVES

POSTPONEMENT of the £835m. investment plans for the Port Talbot steelworks will have far-reaching consequences on the economy of Wales, Sir Melvyn Rosser, chairman of the Welsh Council and a British Steel Corporation Board member, warned yesterday.

The Government statement on the future of the nationalised steel industry is to be made in the Commons to-day by Mr. Eric Varley, Industry Secretary. The accompanying White Paper is believed to state that the Port Talbot scheme and other big new steel investment schemes cannot be justified because of the world steel crisis.

The Government is expected to support instead smaller investment schemes for the modernisation of plant to improve the quality of steelmaking.

Sir Melvyn's statement on Port Talbot emphasises that the British Steel Corporation Board is not united behind the Government's strategy to cut back both investment and job opportunities.

Sir Charles Villiers, chairman, has discussed the development of plans with his Board at every stage during the past six months as negotiations for dealing with the steel crisis have gone on between the Government, British Steel, and the unions.

Sir Melvyn's letter states, "In the (Welsh) council's view there must be a place for Port Talbot in British Steel's plans to maintain competitive integrated steel plants. We would view with great concern any delay of investment which has the effect of endangering its future in that role."

Sir Melvyn adds that product quality at Port Talbot is not satisfactory and that "investment is needed now to ensure that Port Talbot products can compete on quality grounds with steel from elsewhere." Otherwise, the investment already made at Port Talbot could be "rendered nugatory."

In a related development, the Clwyd county council has called on the Government and British Steel to maintain steelmaking at Shotton, North Wales, by investing in three tandem furnaces to replace the existing 12 open hearth furnaces.

At present, Sir Charles is guaranteeing steelmaking at the plant only until 1982. The new Government strategy is likely to make the future of Shotton even less certain, although Mr. Varley is not expected to include the plant in his statement.

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Police told of second false bid report

BY MARGARET REID

THE STOCK Exchange has reported to the City of London Police Fraud Squad the second case within a few weeks of a "bid that never was." News of a take-over approach which afterwards came to nothing sent shares soaring before falling back later.

The reference follows an investigation by the Exchange into dealings in the shares of Marshall's Universal, a Croydon, Surrey car distributor, between January 3 and February 10, 1978, inclusive, "arising out of the receipt by the company of a letter purporting to convey an offer from an overseas source for a minority stake in the company."

On February 10, the shares of Marshall's, which sells Peugeot and Honda cars, were suspended after a sharp rise to 158p, having touched 162, following a partial bid approach.

The directors, headed by Mr. Roger Doughty, said at the time that they had not yet established the authenticity of a bid letter which they had received, but that in the light of the volatility of the shares over the previous few days they had decided to seek the suspension.

Five days later, when quotation was resumed, Mr. Doughty confirmed that he had been in telephone contact with a Mr. David Maltz, who claimed to be making an approach on behalf of an American company.

But, said Mr. Doughty, "whatever type of offer Mr. Maltz was purporting to make either on behalf of himself or the company called Atlantic Federal Investments, it cannot be regarded as in any way serious."

In reporting its inquiry and that details of it had been passed to the police, the Stock Exchange yesterday said that its Council wished to emphasise that the investigation disclosed no evidence of any incorrect conduct on the part of the company, its officers, its advisers or any member of the Exchange.

Marshall's shares stood at 136p, up 2p, at the close on January 3, the first day covered by the inquiry. The 162p they touched on February 10, the last investigated, proved a peak for 1977-78. Last night, they were back to 142p, up 4p on the day.

In mid-February, the Exchange had reported to the Fraud Squad the findings of its inquiry into a sequence of somewhat similar events at Senior Engineering Group. A fuller statement was made then by the Exchange, asserting that profits of about £8,000 had been made from share deals.

The Exchange then said that a Mr. Isador Gabel had told Senior Engineering by telephone in July, 1977, that he was posting a letter with an offer for the company on behalf of an overseas company. He did not immediately divulge the client's name, though pressed to do so.

The Exchange said that Mr. Gabel had, in spite of repeated requests from its special investigating committee, produced no tangible evidence of an offer or of his instructions.

Continued from Page 1

Immigration row

tive and responsible." He said it contrasted "all too sharply with the hysterical and provocative tone of recent Government pronouncements on the subject."

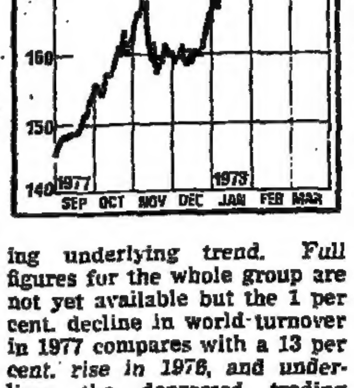
The differences between Labour and Conservative members of the committee surfaced at a Press conference yesterday, as individual MPs quarrelled over the implications of what were said to be agreed proposals.

Tory MPs insisted that the quota system would lead to a reduction of immigration. But Mr. Sidney Bidwell, Labour MP for Southall, argued that the committee's call for swift processing of the most deserving cases would mean a short-term increase in entrants from the sub-continent, particularly Bangladesh,

THE LEX COLUMN

North Sea impact on investment

Index rose 7.7 to 466.3



The gold price fell by another \$2¼ per oz. yesterday and now stands \$13 below its 1978 peak which it touched a fortnight ago. The defeat of the French Left in the recent general election and rumours that the U.S. authorities might start selling gold once again have unnerved the speculative element in the market.

North Sea

The market reacted favourably to the White Paper on North Sea oil in late trading yesterday, though there is little to get a grip on. So far as can be seen, the Treasury is not significantly revising its forecasts of revenue for the mid-1980s (when royalties and taxes should reach nearly £4bn. at 1977 prices) although Wood Mackenzie, for instance, has been reducing its estimates for the more immediate future. For the City, one key point is the continued rejection on any relaxation of outward exchange controls to offset upward pressure on sterling. Another is that the Government plans to step up its activities in the private sector, justifying this with the claim that the capital market needs to be supplemented by selective intervention—"where the risks are high and worth taking or where the pay-off is long term." But the White Paper also recognises the basic need to push up returns on investment generally.

Hoechst

After Monday's news that Montedison's losses had jumped from under £40m. to well over £300m. in 1977, yesterday's results for Hoechst AG—the parent of the world's biggest chemical company—look surprisingly good on the surface.

Since the fourth quarter of 1976 Hoechst's profits have been declining, but in the final quarter of last year Hoechst AG's profits rose by 17 per cent. with the result that full year profits only fell from DM786m. to DM691m.—just 12 per cent. This compares with a 10.5 per cent. drop in profits at ICI and an earnings decline of 8 per cent. at Dow Chemical for calendar 1977.

However, Hoechst's apparent improvement in the fourth quarter is all due to extraordinary factors and there was little change in the disappointing underlying trend. Full figures for the whole group are not yet available but the 1 per cent. decline in world turnover in 1977 compares with a 13 per cent. rise in 1976, and underlines the depressed trading background. For the first time for well over a decade Hoechst's workforce has fallen and a cut in last year's DM8 dividend is "unavoidable."

The German chemical majors have been far harder hit by the decline in the dollar than ICI, and the added problems of sluggish demand and weak European prices have played havoc with their profitability. As Hoechst is more dependent on exports and fibres than either BASF and Bayer its performance may not be completely typical. But even so the outlook in the current year is hardly promising. There are signs that European chemical prices are finally starting to harden but Hedderwick Stirling, for example, still believe that German chemical company profits could be as much as a fifth lower in 1978.

Weir Group

The Weir Group has performed as expected with pre-tax profits for 1977 up 21 per cent. at £9.1m., against a half-year gain of 35 per cent. to £4.5m. In the second six months growth was less than 10 per cent. The outstanding feature of the figures is the 76 per cent. jump in desalination plant sales, reflecting the impact of the first of Weir's three Middle East contracts. The second should go through mainly in 1978, and the third by 1979. But although desalination sales now account for over a quarter of group sales contribution to trading the profit is only 7½ per cent. So Weir appears to be pursuing a very conservative accounting policy despite its claim to be following SSAP 9.

In the other divisions, engineering showed the best results with a one-third gain in profits despite a small decline in volume. On the other hand, foundries and engineering supplies suffered a 5 per cent. profits decline due to further losses on the latter.

In the balance sheet, gearing has apparently not altered much. But if all outstanding lease commitments — say £5.7m. — are included net borrowings probably come out in excess of 75 per cent. of shareholders' funds. On a fully taxed p/e of 5.4 and a yield of just over 6 the shares are valued about average for the sector.

London Sumatra

McLeod-Sipef is likely to play for time in the aftermath of yesterday's fact-packed defence document from London Sumatra, so the offer will probably be extended this morning although the 110p cash terms stand no chance of success. The crucial element in the document is, of course, the valuation placed on the Indonesian estates of a startling £30.9m. On this basis the total net worth of LS is almost £43m., or 270p a share. But the defence has also disclosed a substantial amount of new information in answer to McLeod's-Sipef's numerous specific questions: it turns out, for instance, that LS paid fees of £387,000 to Harrisons and Crosfield in 1977. Moreover the bidders have to assess London Sumatra's 1977 profits of £7.59m. pre-tax, of which £6.29m. has arisen in Indonesia.

The Indonesian valuations pose various theoretical questions. A basis of seven times expected average profits less a one-third discount gives a precise result (to a ludicrous eight significant figures) but in reality there are no yardsticks, such as recent large land sales, to justify the estimate, while there are big obstacles to remitting funds from Indonesia. Meantime LS has accepted that the relationship with H and C needs to be further considered, and the outcome could be the appointment of an independent director to the Board.

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